

Ways & Means 3/29 S. Pass 4/3

FILED FEB 26 1990

SENATE FILE 2406
BY COMMITTEE ON WAYS AND
MEANS

(SUCCESSOR TO SSB 2289)

Passed Senate, Date 3/19/90 (p. 1161) Passed House, Date 4/5/90 (p. 2520)
Vote: Ayes 47 Nays 0 Vote: Ayes 89 Nays 0

Approved April 24 1990
Ways & Means 3/29 (p. 1175) w/P 3/29

A BILL FOR

1 An Act relating to the sales and use tax on carbon dioxide and
2 providing a retroactive applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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note JS
SF 2406

1 Section 1. Section 422.42, subsection 3, Code 1989, is
2 amended to read as follows:

3 3. "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 The distribution to the public of free newspapers or shoppers
16 guides is a retail sale for purposes of the processing
17 exemption.

18 Sec. 2.

19 This Act is retroactively applicable to July 1, 1985.

20 EXPLANATION

21 The bill provides that the sale of carbon dioxide to, or
22 the use of carbon dioxide by, manufacturers of food products
23 is exempt from Iowa sales or use tax. The bill is applicable
24 retroactively to July 1, 1985.

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SENATE FILE 2406
FISCAL NOTE

A fiscal note for Senate File 2406 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 2406 provides that the sale of carbon dioxide to, or the use of carbon dioxide by, manufacturers of food products is exempt from Iowa sales or use tax. The bill is applicable retroactively to July 1, 1985.

Fiscal Impact

This legislation will have a negative impact on General Fund revenues and will also remove an audit deficiency identified by the Department of Revenue and Finance. The Department has indicated that the fiscal impact is not expected to be significant.

Source: Department of Revenue and Finance

(LSB 8377sv, PDD)

FILED MARCH 15, 1990

BY DENNIS PROUTY, FISCAL DIRECTOR

SZYMONIAK, CH.
DIELEMAN
SOORHOLTZ

SSB 2289
WAYS & MEANS

SENATE FILE 2406
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DIELEMAN)

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

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SENATE FILE 2406

AN ACT

RELATING TO THE SALES AND USE TAX ON CARBON DIOXIDE AND PROVIDING A RETROACTIVE APPLICABILITY DATE.

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

Section 1. Section 422.42, subsection 3, Code 1989, is amended to read as follows:

3. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services; and includes the sale of gas, electricity, water, and communication service to retail consumers or users; but does not include agricultural breeding livestock and domesticated fowl; and does not include commercial fertilizer, agricultural limestone, herbicide, pesticide, insecticide, food, medication, or agricultural drain tile, including installation of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market; and

does not include electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. When used by a manufacturer of food products, carbon dioxide in a liquid, solid, or gaseous form, electricity, steam, and other taxable services are sold for processing when used to produce marketable food products for human consumption, including but not limited to, treatment of material to change its form, context, or condition, in order to produce the food product, maintenance of quality or integrity of the food product, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food product in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food product, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food product until shipment from the building of manufacture. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail; or will be consumed as fuel in creating heat, power, or steam for processing including grain drying, or for providing heat or cooling for livestock buildings, or for generating electric current, or in implements of husbandry engaged in agricultural production; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail or consumed in the maintenance or repair of fabric or clothing, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides is a retail sale for purposes of the processing exemption.

Sec. 2.

This Act is retroactively applicable to July 1, 1985.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2406, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved April 24, 1990

TERRY E. BRANSTAD
Governor