

*Substituted for S.F. 19*  
FEB 13 1995

WAYS & MEANS CALENDAR

*S - Motion to R/c (p. 1348) Lind 4/20/95*  
*S - Motion withdrawn (p. 1464) 4/27/95*  
HOUSE FILE 159

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 58)

Passed House, <sup>(P. 1588)</sup> Date 4/17/95 Passed Senate, Date 4/20/95 (p. 1337)  
Vote: Ayes 95 Nays 1 Vote: Ayes 50 Nays 0  
Approved May 5, 1995

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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HOUSE FILE 159

S-3452

- 1 Amend House File 159 as follows:
- 2 1. Page 1, line 6, by striking the words "or
- 3 otherwise".

By ELAINE SZYMONIAK

S-3452 FILED APRIL 17, 1995

WITHDRAWN

*HF 159*

1 Section 1. Section 422.42, Code 1995, 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 422.42, subsection 11, Code 1995, is  
11 amended to read as follows:

12 11. "Retail sale" or "sale at retail" means the sale to a  
13 consumer or to any person for any purpose, other than for  
14 processing, for resale of tangible personal property or  
15 taxable services, or for resale of tangible personal property  
16 in connection with taxable services; and includes the sale of  
17 gas, electricity, water, and communication service to retail  
18 consumers or users; but does not include agricultural breeding  
19 livestock and domesticated fowl; and does not include  
20 commercial fertilizer, agricultural limestone, herbicide,  
21 pesticide, insecticide, food, medication, or agricultural  
22 drain tile, including installation of agricultural drain tile,  
23 any of which are to be used in disease control, weed control,  
24 insect control, or health promotion of plants or livestock  
25 produced as part of agricultural production for market; and  
26 does not include electricity, steam, or any taxable service  
27 when purchased and used in the processing of tangible personal  
28 property intended to be sold ultimately at retail. When used  
29 by a manufacturer of food products, carbon dioxide in a  
30 liquid, solid, or gaseous form, electricity, steam, and other  
31 taxable services are sold for processing when used to produce  
32 marketable food products for human consumption, including but  
33 not limited to, treatment of material to change its form,  
34 context, or condition, in order to produce the food product,  
35 maintenance of quality or integrity of the food product,

1 changing or maintenance of temperature levels necessary to  
2 avoid spoilage or to hold the food product in marketable  
3 condition, maintenance of environmental conditions necessary  
4 for the safe or efficient use of machinery and material used  
5 to produce the food product, sanitation and quality control  
6 activities, formation of packaging, placement into shipping  
7 containers, and movement of the material or food product until  
8 shipment from the building of manufacture. Tangible personal  
9 property is sold for processing within the meaning of this  
10 subsection only when it is intended that the property will, by  
11 means of fabrication, compounding, manufacturing, or  
12 germination become an integral part of other tangible personal  
13 property intended to be sold ultimately at retail; or will be  
14 consumed as fuel in creating heat, power, or steam for  
15 processing including grain drying, or for providing heat or  
16 cooling for livestock buildings or for greenhouses or  
17 buildings or parts of buildings dedicated to the production of  
18 flowering, ornamental, or vegetable plants intended for sale  
19 in the ordinary course of business, or for generating electric  
20 current, or in implements of husbandry engaged in agricultural  
21 production; or the property is a chemical, solvent, sorbent,  
22 or reagent, which is directly used and is consumed,  
23 dissipated, or depleted, in processing personal property which  
24 is intended to be sold ultimately at retail or consumed in the  
25 maintenance or repair of fabric or clothing, and which may not  
26 become a component or integral part of the finished product.  
27 The distribution to the public of free newspapers or shoppers  
28 guides is a retail sale for purposes of the processing  
29 exemption.

30 Sec. 3. Section 422.45, subsection 39, paragraphs a and c,  
31 Code 1995, are amended to read as follows:

32 a. The implement, machinery, or equipment is directly and  
33 primarily used in livestock or dairy production or in the  
34 production of flowering, ornamental, or vegetable plants.

35 c. The replacement part is essential to any repair or

1 reconstruction necessary to the farm machinery's or  
2 equipment's exempt use in livestock or dairy production or in  
3 the production of flowering, ornamental, or vegetable plants.

4 Sec. 4. Section 422.47, subsection 4, paragraph f, Code  
5 1995, is amended to read as follows:

6 f. In this section, "fuel" includes gas, electricity,  
7 water, heat, steam, and any other tangible personal property  
8 consumed in creating heat, power, or steam. In this section,  
9 "fuel consumed in processing" means fuel used or disposed of  
10 for processing including grain drying, for providing heat or  
11 cooling for livestock buildings or for greenhouses or  
12 buildings or parts of buildings dedicated to the production of  
13 flowering, ornamental, or vegetable plants intended for sale  
14 in the ordinary course of business, or for generating electric  
15 current, or in implements of husbandry engaged in agricultural  
16 production. In this subsection, "fuel exemption certificate"  
17 means an exemption certificate given by the purchaser under  
18 penalty of perjury to assist retailers in properly accounting  
19 for nontaxable sales of fuel consumed in processing. In this  
20 subsection, "substantial change" means a change in the use or  
21 disposition of tangible personal property and services by the  
22 purchaser such that the purchaser pays less than ninety  
23 percent of the purchaser's actual sales tax liability. A  
24 change includes a misstatement of facts in an application made  
25 pursuant to paragraph "c" or in a fuel exemption certificate.

26 EXPLANATION

27 This bill defines "agricultural production" and  
28 "agricultural products" to include the production of  
29 flowering, ornamental, or vegetable plants for the purpose of  
30 the state sales tax. The bill defines "farm machinery and  
31 equipment" as machinery and equipment used in agricultural  
32 production. The bill exempts from sales taxation fuel used to  
33 provide heat or cooling for greenhouses and buildings  
34 dedicated to the production of flowering, ornamental, or  
35 vegetable plants intended to be sold in the regular course of

1 business and non-self-propelled machinery and equipment used  
 2 in the production of flowering, ornamental, or vegetable  
 3 plants. Present law exempts only fuel used to heat or cool  
 4 livestock buildings and non-self-propelled machinery and  
 5 equipment used in livestock or dairy production.

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HOUSE FILE 159

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3112

1 Amend House File 159 as follows:

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2 1. Page 3, by inserting after line 25 the  
3 following:

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4 "Sec. \_\_\_\_\_. Refunds of taxes, interests, or  
 5 penalties which arise from claims resulting from the  
 6 enactment of the amendments to section 422.42, section  
 7 422.42, subsection 11, section 422.45, subsection 39,  
 8 and section 422.47, subsection 4, of this Act, for  
 9 sales and rentals occurring between July 1, 1985, and  
 10 June 30, 1995, shall be limited to twenty-five  
 11 thousand dollars in the aggregate and shall not be  
 12 allowed unless refund claims are filed prior to  
 13 October 1, 1995, notwithstanding any other provision  
 14 of law. If the amount of claims totals more than  
 15 twenty-five thousand dollars in the aggregate, the  
 16 department of revenue and finance shall prorate the  
 17 twenty-five thousand dollars among all claimants in  
 18 relation to the amounts of the claimants' valid  
 19 claims.

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20 Sec. \_\_\_\_\_. This Act, being deemed of immediate  
 21 importance, takes effect upon enactment and applies  
 22 retroactively to July 1, 1985, for sales and rentals  
 23 made on or after that date."

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24 2. Title page, line 2, by inserting after the  
 25 word "tax" the following: ", and including  
 26 retroactive applicability date and effective date  
 27 provisions".

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By WEIGEL of Chickasaw

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H-3112 FILED FEBRUARY 16, 1995

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4-17-95

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HOUSE FILE 159  
FISCAL NOTE

A fiscal note for House File 159 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 159 expands the definition of "agricultural production" to include the production of plants by greenhouses, and would exempt from State sales tax fertilizer and pesticides, and self-propelled and nonself-propelled machinery and equipment used by greenhouses to produce flowering, ornamental, or vegetable plants.

ASSUMPTIONS:

1. There are approximately 100 acres of land used in commercial greenhouses.
2. Approximately \$11,600 worth of machinery and equipment is purchased per acre each year, by commercial greenhouses.
3. Approximately \$7,400 is spent each year to purchase the necessary pesticides and fertilizers needed for one acre in greenhouse.

FISCAL IMPACT:

House File 159 is expected to result in a decrease in revenues to the General Fund of approximately \$445,000 in FY 1996 and each subsequent fiscal year.

SOURCES:

United States Department of Agriculture  
Iowa Society of Florists

(LSB 1576hv, JAM)

FILED FEBRUARY 16, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

*Leiter, Chris*

*HSB 58*

*Reaney  
Holbeck*

**WAYS AND MEANS**

**Succeeded By**

SENATE/HOUSE FILE       

BY (PROPOSED GOVERNOR'S BILL)

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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18 consumers or users; but does not include agricultural breeding  
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20 commercial fertilizer, agricultural limestone, herbicide,  
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23 any of which are to be used in disease control, weed control,  
24 insect control, or health promotion of plants or livestock  
25 produced as part of agricultural production for market; and  
26 does not include electricity, steam, or any taxable service  
27 when purchased and used in the processing of tangible personal  
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33 not limited to, treatment of material to change its form,  
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1 changing or maintenance of temperature levels necessary to  
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9 property is sold for processing within the meaning of this  
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14 consumed as fuel in creating heat, power, or steam for  
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16 cooling for livestock buildings or for greenhouses or  
17 buildings or parts of buildings dedicated to the production of  
18 flowering, ornamental, or vegetable plants intended for sale  
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HOUSE FILE 159

AN ACT

RELATING TO THE PRODUCTION OF ORNAMENTAL, FLOWERING, OR  
VEGETABLE PLANTS FOR PURPOSES OF THE STATE SALES TAX.

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

Section 1. Section 422.42, Code 1995, is amended by adding the following new subsections and renumbering current subsections as necessary:

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

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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 greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, 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

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change includes a misstatement of facts in an application made pursuant to paragraph "c" or in a fuel exemption certificate.

---

RON J. CORBETT  
Speaker of the House

---

LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 159, Seventy-sixth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved maps, 1995

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TERRY E. BRANSTAD  
Governor