

APR 3 1996

WAYS & MEANS CALENDAR

HOUSE FILE 2493
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 752)

Passed House, Date 4/16/96 (p.1643) Passed Senate, Date _____
Vote: Ayes 93 Nays 0 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the state sales tax exemption on certain
2 computers or machinery and equipment.

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

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HF 2493

1 Section 1. Section 422.45, subsection 27, Code Supplement
2 1995, as amended by 1996 Acts, House File 2165, section 1, if
3 enacted, and as amended by that section of 1996 Acts, House
4 File 2481, which amends section 422.45, subsection 27, if
5 enacted, is amended by striking the subsection and inserting
6 in lieu thereof the following:

7 27. a. The gross receipts from the sale or rental of
8 computers or machinery and equipment including replacement
9 parts if such items are any of the following:

10 (1) Directly and primarily used in manufacturing by a
11 manufacturer as defined in section 428.20.

12 (2) Directly and primarily used for the maintenance of
13 environmental or quality control conditions of the product or
14 other machinery and equipment used in manufacturing by a
15 manufacturer as defined in section 428.20.

16 (3) Directly and primarily used in research and
17 development of new products or processes of manufacturing.

18 (4) Computers used in processing or storage of data or
19 information by an insurance company, financial institution, or
20 commercial enterprise.

21 (5) Directly and primarily used in recycling or
22 reprocessing of waste products.

23 (6) Pollution control equipment.

24 b. However, the gross receipts from the sale or rental of
25 the following shall not be exempt from the tax imposed by this
26 division:

27 (1) Hand tools.

28 (2) Point-of-sale equipment and computers.

29 (3) Industrial machinery, equipment and computers,
30 including pollution control equipment, within the scope of
31 section 427A.1, subsection 1, paragraphs "h" and "i".

32 c. As used in this subsection:

33 (1) "Commercial enterprise" includes businesses and
34 manufacturers conducted for profit and includes centers for
35 data processing services to insurance companies, financial

1 institutions, businesses, and manufacturers but excludes
2 professions and occupations and nonprofit organizations.

3 (2) "Financial institutions" means as defined in section
4 527.2.

5 (3) "Insurance company" means an insurer organized or
6 operating under chapter 508, 514, 515, 518, 518A, 519, 520, or
7 authorized to do business in Iowa as an insurer or a licensed
8 insurance agent under chapter 522.

9 (4) "Manufacturing" shall be deemed to encompass all
10 activities performed by a manufacturer in a process listed in
11 section 428.20 commencing with the unpacking or preparation or
12 storage of raw materials through and including the packing,
13 packaging, boxing, bagging, shrink wrapping, or palletizing of
14 a finished product intended to be sold for gain or profit.

15 EXPLANATION

16 This bill rewrites the Code provision exempting certain
17 computers or machinery and equipment from the state sales tax
18 by defining those manufacturing activities which would give
19 rise to the exemption.

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**HOUSE FILE 2493
FISCAL NOTE**

A fiscal note for House File 2493 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 2493 rewrites the Code of Iowa provision exempting certain computers or machinery and equipment from the State sales tax by defining those manufacturing activities which would give rise to the exemption. The effect of the Bill would be to expand the sales tax exemption for a broad range of non-professional industrial classifications.

ASSUMPTIONS

Currently, a precise estimate of the number of computer or machinery and equipment purchases or the number of affected businesses is unavailable. This estimate was derived by estimating the impact of an exemption for all computer purchases and subtracting the estimated sales tax paid by businesses with a professional designation.

FISCAL IMPACT

House File 2493 is expected to result in a decrease in revenues to the General Fund of approximately \$1.5 million in FY 1997 and subsequent fiscal years. This does not include any impact attributable to the exemption for insurance agents, which was addressed in HF 2165, sent to the Governor on April 1, 1996.

SOURCES

County Business Patterns, 1992, Bureau of the Census, U.S. Department of Commerce
Legislative Tax Model (LSB 4438hv, JAM)

FILED APRIL 8, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

Lamberti, Ch
Teig
Shoultz

HSB 752

WAYS AND MEANS

HOUSE FILE 2493
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON HALVORSON)

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