

*Substituted  
for by H.F. 159  
4/20/95 (p. 1337)*

*1-11-95 Way & Means  
1-31-95 Do Pass  
FILED JAN 11 1995*

WITHDRAWN

SENATE FILE 19  
BY IVERSON

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the production and processing exemption of  
2 flowering, ornamental, or vegetable plants for purposes of the  
3 state sales, services, and use taxes.

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

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SENATE FILE 19

S-3461

1 Amend Senate File 19 as follows:  
2 1. Page 1, line 6, by inserting after the word  
3 "greenhouses" the following: "or otherwise".  
4 2. Title, by striking lines 1 through 3 and  
5 inserting the following: "An Act relating to the  
6 production of ornamental, flowering, or vegetable  
7 plants for the purposes of the state sales tax."  
By ELAINE SZYMONIAK

S-3461 FILED APRIL 18, 1995  
*Adopted 4/20/95 (p. 1337)*

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WITHDRAWN

S.F. 19

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. "Agricultural products" includes  
7 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 The bill provides that fuel consumed to provide heat or  
28 cooling for greenhouses or buildings dedicated to the  
29 production of flowering, ornamental, or vegetable plants  
30 intended to be sold in the regular course of business and farm  
31 machinery and equipment used in such production are exempt  
32 from the sales and use tax under the processing exemption.  
33 Present law only exempts fuel used to heat or cool livestock  
34 buildings and farm machinery and equipment used in livestock  
35 or dairy production.

FEBRUARY 7, 1995

**SENATE FILE 19  
FISCAL NOTE**

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A fiscal note for **Senate File 19** 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.

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Senate File 19 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:**

Senate File 19 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 1112SS, JAM)

FILED FEBRUARY 6, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR