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WAYS AND MEANS

HOUSE FILE 67
BY VAN FOSSEN

WITHDRAWN
2/18/97 (P. 345)

WITHDRAWN

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

A BILL FOR

1 An Act relating to the state sales and use tax exemption on
2 certain items related to the manufacturing process.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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WITHDRAWN

1 Section 1. Section 422.45, subsection 27, Code 1997, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 27. a. The gross receipts from the sale or rental of
5 computers, machinery, and equipment, including replacement
6 parts, and materials used to construct or self-construct
7 computers, machinery, and equipment if such items are any of
8 the following:

9 (1) Directly and primarily used in processing by a
10 manufacturer.

11 (2) Directly and primarily used to maintain the integrity
12 of the product or to maintain unique environmental conditions
13 required for either the product or the computers, machinery,
14 and equipment used in processing by a manufacturer, including
15 test equipment used to control quality and specifications of
16 the product.

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

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

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

24 (6) Pollution control equipment used by a manufacturer,
25 including but not limited to that required or certified by an
26 agency of this state or of the United States government.

27 b. The gross receipts from the sale of fuel used in
28 creating heat, power, steam, or for generating electrical
29 current, or from the sale of electricity, directly and
30 primarily used in processing by a manufacturer.

31 c. However, the gross receipts from the sale or rental of
32 the following shall not be exempt from the tax imposed by this
33 division:

34 (1) Hand tools.

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

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

4 d. As used in this subsection:

5 (1) "Commercial enterprise" includes businesses and
6 manufacturers conducted for profit and includes centers for
7 data processing services to insurance companies, financial
8 institutions, businesses, and manufacturers but excludes
9 professions and occupations and nonprofit organizations.

10 (2) "Financial institution" means as defined in section
11 527.2.

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

16 (4) "Manufacturer" means as defined in section 428.20, but
17 also includes contract manufacturers. A contract manufacturer
18 is a manufacturer that otherwise falls within the definition
19 of manufacturer under section 428.20, except that a contract
20 manufacturer does not sell the tangible personal property the
21 contract manufacturer processes on behalf of other
22 manufacturers.

23 (5) "Processing" means a series of operations in which
24 materials are manufactured, refined, purified, created,
25 combined, or transformed by a manufacturer, ultimately into
26 tangible personal property. Processing encompasses all
27 activities commencing with the receipt or producing of raw
28 materials by the manufacturer and ending at the point products
29 are delivered for shipment or transferred from the
30 manufacturer. Processing includes but is not limited to
31 refinement or purification of materials; treatment of
32 materials to change their form, context, or condition;
33 maintenance of the quality or integrity of materials,
34 components, or products; maintenance of environmental
35 conditions necessary for materials, components, or products;

1 quality control activities; and construction of packaging and
2 shipping devices, placement into shipping containers or any
3 type of shipping devices or medium, and the movement of
4 materials, components, or products until shipment from the
5 processor.

6 EXPLANATION

7 This bill rewrites the Code provision exempting certain
8 computers, machinery, equipment, electricity, and other items
9 related to the manufacturing process from the state sales and
10 use tax by defining those manufacturing activities which give
11 rise to the exemption.

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