

FEB 1 2000  
WAYS AND MEANS

HOUSE FILE  
BY EDDIE

2124

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

A BILL FOR

1 An Act relating to the sales and use tax exemption of sales or  
2 rentals of bulk seed tenders.

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

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HF 2124

1 Section 1. Section 422.45, subsection 26, paragraphs a and  
2 b, Code Supplement 1999, are amended to read as follows:

3 a. The farm machinery and equipment shall be directly and  
4 primarily used in production of agricultural products or the  
5 farm machinery or equipment is a bulk seed tender.

6 b. The farm machinery and equipment shall constitute self-  
7 propelled implements or implements customarily drawn or  
8 attached to self-propelled implements or the farm machinery or  
9 equipment is a grain dryer or bulk seed tender.

10 EXPLANATION

11 This bill exempts from the sales and use taxes the sale or  
12 rental of a bulk seed tender and its replacement parts which  
13 are used for farming purposes.

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**HOUSE FILE 2124  
FISCAL NOTE**

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A fiscal note for House File 2124 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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House File 2124 provides a sales and use tax exemption for the sale or rental of a bulk seed tender and its replacement parts when the equipment is used for farming purposes.

**BACKGROUND**

Section 422.45, Subsection 26, Code of Iowa, provides an exemption from sales and use taxes for (a) farm machinery and equipment that is directly and primarily used in the production of agricultural products, (b) farm machinery and equipment that constitutes self-propelled implements or implements customarily drawn or attached to self-propelled implements or grain drying equipment, and (c) replacement parts that are essential to the repair or reconstruction of farm machinery or equipment that are exempt from tax. Bulk seed tenders represent a relatively new type of farm equipment, and currently are not covered by the existing sales and use tax exemption for farm machinery and equipment. The proposed Bill is intended to clarify that bulk seed tenders are covered by the exemption.

**ASSUMPTIONS**

1. The unit cost of bulk seed tenders ranges from \$3,000 to \$10,000, with an average cost of \$6,000.
2. In 1999, approximately 500 units of this type of equipment were sold in Iowa.
3. The number of units sold of this type of equipment is growing at a rate of about 20.0% per year.
4. The annual price increase for this type of equipment equals 5.0% of the prior year's unit cost.
5. No readily available information exists on the counties in which this type of equipment is sold. So, it is not possible to estimate the impact of a sales and use tax exemption on local option sales and services taxes.
6. The State sales and use tax rates equal 5.0%.
7. The exemption would become effective July 1, 2000.

**FISCAL IMPACT**

House File 2124 will result in a decrease in State General Fund receipts equal

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to approximately \$150,000 for FY 2001 and \$225,000 for FY 2002. It is not possible to estimate the impact on local option sales and services tax receipts.

SOURCES

Friesen of Iowa, Storm Lake, Iowa  
Yetter Farm Equipment, Colchester, Illinois

(LSB 6063hh, MAL)

FILED APRIL 3, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR