

Myers, Ch
Larson
Jenkins

ASB 207

WAYS AND MEANS

SUC
CF/HF

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

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 for the sale
2 of tangible personal property which is purchased for lease or
3 rental.

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

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

LSB 2985HC
78

1 Section 1. Section 422.45, subsection 18, Code 1999, is
2 amended to read as follows:
3 18. Gross receipts from the sale of tangible personal
4 property, except vehicles subject to registration, to a person
5 regularly engaged in the business of leasing ~~if-the-period-of~~
6 ~~the-lease-is-for-more-than-five-months~~ or renting, or a person
7 regularly engaged in the consumer rental purchase business if
8 the property is to be utilized in a transaction involving a
9 consumer rental purchase agreement as defined in section
10 537.3604, subsection 8, and the leasing, renting, or consumer
11 rental of the property is subject to taxation under this
12 division. If tangible personal property exempt under this
13 subsection is made use of for any purpose other than leasing,
14 renting, or consumer rental purchase, the person claiming the
15 exemption under this subsection is liable for the tax that
16 would have been due except for this subsection. The tax shall
17 be computed upon the original purchase price. The aggregate
18 of the tax paid on the leasing, renting, or rental purchase of
19 such tangible personal property, not to exceed the amount of
20 the sales tax owed, shall be credited against the tax. This
21 sales tax is in addition to any sales or use tax that may be
22 imposed as a result of the disposal of such tangible personal
23 property.

24 EXPLANATION

25 The bill exempts from the sales and use taxes the sale of
26 tangible personal property to a person regularly engaged in
27 the business of leasing or renting the property or regularly
28 engaged in the consumer rental purchase business. However,
29 the exemption only applies if the lease, rental, or consumer
30 rental of the tangible personal property is subject to sales
31 or use tax when it is leased or rented. If the property is
32 used for other than leasing or rental, then sales or use tax
33 is due with credit for the amount of sales or use tax paid if
34 previously leased or rented.

35

MAR 12 1999

WAYS & MEANS CALENDAR

HOUSE FILE 657
BY COMMITTEE ON WAYS AND
MEANS

(SUCCESSOR TO HSB 207)

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 for the sale
2 of tangible personal property which is purchased for lease or
3 rental.

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

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

HF 657

1 Section 1. Section 422.45, subsection 18, Code 1999, is
2 amended to read as follows:

3 18. Gross receipts from the sale of tangible personal
4 property, except vehicles subject to registration, to a person
5 regularly engaged in the business of leasing ~~if-the-period-of~~
6 ~~the-lease-is-for-more-than-five-months~~ or renting, or a person
7 regularly engaged in the consumer rental purchase business if
8 the property is to be utilized in a transaction involving a
9 consumer rental purchase agreement as defined in section
10 537.3604, subsection 8, and the leasing, renting, or consumer
11 rental of the property is subject to taxation under this
12 division. If tangible personal property exempt under this
13 subsection is made use of for any purpose other than leasing,
14 renting, or consumer rental purchase, the person claiming the
15 exemption under this subsection is liable for the tax that
16 would have been due except for this subsection. The tax shall
17 be computed upon the original purchase price. The aggregate
18 of the tax paid on the leasing, renting, or rental purchase of
19 such tangible personal property, not to exceed the amount of
20 the sales tax owed, shall be credited against the tax. This
21 sales tax is in addition to any sales or use tax that may be
22 imposed as a result of the disposal of such tangible personal
23 property.

24 EXPLANATION

25 The bill exempts from the sales and use taxes the sale of
26 tangible personal property to a person regularly engaged in
27 the business of leasing or renting the property or regularly
28 engaged in the consumer rental purchase business. However,
29 the exemption only applies if the lease, rental, or consumer
30 rental of the tangible personal property is subject to sales
31 or use tax when it is leased or rented. If the property is
32 used for other than leasing or rental, then sales or use tax
33 is due with credit for the amount of sales or use tax paid if
34 previously leased or rented.

35

**HOUSE FILE 657
FISCAL NOTE**

A fiscal note for House File 657 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 657 exempts from the sales and use taxes the sale of tangible personal property to a person regularly engaged in the business of consumer leasing or renting. However, the exemption only applies if the lease or rental is subject to sales or use tax when it is leased or rented.

ASSUMPTIONS

1. There are approximately 203 rental equipment businesses in the State.
2. On average, each rental equipment business purchases approximately \$60,000 items subject to the State sales or use taxes.

FISCAL EFFECT

House File 657 is expected to result in a reduction in General Fund sales and use taxes of approximately \$609,000 in FY 2000 and each year thereafter.

SOURCES

U.S. Census Bureau, County Business Patterns
U.S. Census Bureau, Census of Services
Rental Equipment Register

(LSB 2985hv, LCS)

FILED MARCH 15, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR