

Hoversten, Ch.  
Sievers  
Richardson

Revised HSB 11.1

WAYS AND MEANS  
Succeeded by  
SF (HF) 707

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 establishing an interstate distribution center initiative  
2 by identifying an activity of a foreign corporation which does  
3 not constitute doing business in or deriving income from  
4 sources within the state and for which a return is not  
5 required for state income tax purposes and including effective  
6 and retroactive applicability date provisions.

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

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1 Section 1. Section 422.34A, Code 2001, is amended by  
2 adding the following new subsection:

3 NEW SUBSECTION. 8. Storing tangible personal property  
4 which are not intended for sale in Iowa for ninety days or  
5 less in a warehouse located in Iowa which is not owned by the  
6 corporation.

7 Sec. 2. Section 422.36, Code 2001, is amended by adding  
8 the following new subsection:

9 NEW SUBSECTION. 6. A foreign corporation is not required  
10 to file a return if its only activities in Iowa are described  
11 in section 422.34A, subsection 8, provided that none of the  
12 tangible personal property is delivered or shipped so as to be  
13 included in the gross sales of the corporation within this  
14 state as provided in section 422.33, subsection 2, paragraph  
15 "b", subparagraph (6).

16 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,  
17 being deemed of immediate importance, takes effect upon  
18 enactment and applies retroactively to January 1, 2001, for  
19 tax years beginning on or after that date.

20 EXPLANATION

21 The bill provides that an activity of a foreign corporation  
22 which involves the storing of tangible personal property which  
23 is not intended for sale in Iowa for 90 days or less in a  
24 warehouse located in Iowa which is not owned by the  
25 corporation does not constitute doing business within the  
26 state or deriving income from sources within the state for  
27 purposes of the imposition of the state corporate income tax.  
28 The bill also provides that an income tax return is not  
29 required to be filed if such storage is its only activity and  
30 the stored property is not delivered or shipped so as to be  
31 included as part of the corporation's gross sales within the  
32 state.

33 The bill takes effect upon enactment and applies  
34 retroactively to January 1, 2001, for tax years beginning on  
35 or after that date.

Substitutes for SF 517  
4/19/01 (P. 120's)

MAR 30 2001  
WAYS & MEANS CALENDAR

HOUSE FILE 707  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 11.1)

Passed House, Date <sup>(P. 1256)</sup> 4-18-01 Passed Senate, Date <sup>(P. 1250)</sup> 4/23/01  
Vote: Ayes 96 Nays 0 Vote: Ayes 46 Nays 1  
Approved 4-30-01

**A BILL FOR**

1 An Act establishing an interstate distribution center initiative  
2 by identifying an activity of a foreign corporation for which  
3 a return is not required for state income tax purposes and  
4 including effective and retroactive applicability date  
5 provisions.

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

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HF 707

1 Section 1. Section 422.36, Code 2001, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. A foreign corporation is not required  
4 to file a return if its only activities in Iowa are the  
5 storage of goods for a period of sixty consecutive days or  
6 less in a warehouse for hire located in this state whereby the  
7 foreign corporation transports or causes a carrier to  
8 transport such goods to that warehouse and provided that none  
9 of the goods are delivered or shipped so as to be included in  
10 the gross sales of the corporation within this state as  
11 provided in section 422.33, subsection 2, paragraph "b",  
12 subparagraph (6).

13 Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act,  
14 being deemed of immediate importance, takes effect upon  
15 enactment and applies retroactively to January 1, 2001, for  
16 tax years beginning on or after that date.

17 EXPLANATION

18 This bill provides that a foreign corporation is not  
19 required to file an income tax return if its only activity  
20 involves the storing of tangible personal property in Iowa for  
21 60 consecutive days or less in a warehouse located in Iowa if  
22 such storage is its only activity and the stored property is  
23 not delivered or shipped so as to be included as part of the  
24 corporation's gross sales within the state.

25 The bill takes effect upon enactment and applies  
26 retroactively to January 1, 2001, for tax years beginning on  
27 or after that date.

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S-3435

1 Amend House File 707, as passed by the House, as  
2 follows:

3 1. Page 1, by inserting after line 12, the  
4 following:

5 "Sec. \_\_\_\_\_. Section 422.45, Code 2001, amended by  
6 adding the following new subsection:

7 NEW SUBSECTION. 60. The gross receipts from the  
8 sale, lease, or rental of computers, racks, shelves,  
9 conveyors, machinery, and equipment, including  
10 replacement parts, and materials used to construct or  
11 self-construct computers, racks, shelves, conveyors,  
12 machinery, and equipment if such items are directly  
13 used by an interstate distributor.

14 For purposes of this subsection, "interstate  
15 distributor" means a business that owns and operates a  
16 distribution center whose size is fifty thousand  
17 square feet or greater, whose new construction was  
18 completed on or after July 1, 2001, is located on  
19 property zoned for industrial purposes, and employs  
20 ten or more new employees at that site, and over  
21 fifty percent of the total value of products shipped  
22 annually from that site are to a destination outside  
23 the borders of Iowa. This exemption does not apply to  
24 an interstate distributor which closes or  
25 substantially reduces its operations in one area of  
26 this state and relocates substantially the same  
27 operation in another area of the state."

28 2. Title page, line 3, by inserting after the  
29 word "purposes" the following: "and exempting the  
30 sale, lease, or rental of certain property to an  
31 interstate distributor from sales and use taxes".

By JOHN REDWINE

S-3435 FILED APRIL 23, 2001  
WITHDRAWN

## HOUSE FILE 707

H-1586

1 Amend House File 707 as follows:

2 1. Page 1, by inserting after line 12, the  
3 following:

4 "Sec. \_\_\_\_\_. Section 422.45, subsection 27,  
5 paragraph a, unnumbered paragraph 1, and subparagraph  
6 (1), Code 2001, are amended to read as follows:

7 The gross receipts from the sale, lease, or rental  
8 of computers, racks, shelves, conveyors, machinery,  
9 and equipment, including replacement parts, and  
10 materials used to construct or self-construct  
11 computers, racks, shelves, conveyors, machinery, and  
12 equipment if such items are any of the following:

13 (1) Directly and primarily used in processing by a  
14 manufacturer or directly used by an interstate  
15 distributor.

16 Sec. \_\_\_\_\_. Section 422.45, subsection 27, paragraph  
17 d, Code 2001, is amended by adding the following new  
18 subparagraph:

19 NEW SUBPARAGRAPH. (3A) "Interstate distributor"  
20 means a business that owns and operates a distribution  
21 center whose size is fifty thousand square feet or  
22 greater, is located on property zoned for industrial  
23 purposes, and employs fifty or more employees at that  
24 site, and with over fifty percent of the total value  
25 of products shipped annually from that site are to a  
26 destination outside the borders of Iowa.

27 Sec. 100. NEW SECTION. 427B.29 PROPERTY SUBJECT  
28 TO SPECIAL VALUATION.

29 Racks, shelves, conveyors, machinery, equipment,  
30 and computers directly used by an interstate  
31 distributor, as defined in section 422.45, subsection  
32 27, paragraph "d", which is first assessed for  
33 taxation in this state on or after January 1, 2002,  
34 shall be exempt from taxation. The exemption in this  
35 section shall not affect the exemption that any  
36 property may be entitled to pursuant to section  
37 427B.17, subsection 2.

38 Sec. \_\_\_\_\_. IMPLEMENTATION OF ACT. Section 25B.7  
39 does not apply to the property tax exemption provided  
40 in section 100 of this Act."

41 2. Page 1, line 13, by striking the word "This"  
42 and inserting the following: "Section 1 of this".

43 3. Title page, line 3, by inserting after the  
44 word "purposes" the following: ", exempting the sale,  
45 lease, or rental of certain property to an interstate  
46 distributor from sales and use taxes, and exempting  
47 certain property of an interstate distributor from  
48 property tax,".

By HOVERSTEN of Woodbury

H-1586 FILED APRIL 18, 2001

W/20  
4/18/01 (P. 1256)

**HOUSE FILE 707  
FISCAL NOTE**

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A fiscal note for **House File 707** 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 707 provides that a foreign corporation is not required to file an income tax return if its only activity involves the storing of tangible personal property in Iowa for 60 consecutive days or less in a warehouse located in Iowa if such storage is its only activity and the stored property is not delivered or shipped so as to be included as part of the corporation's gross sales within the State.

The Bill changes only a reporting requirement. It does not change any tax liability.

**FISCAL IMPACT**

House File 707 does not have a fiscal impact.

**SOURCE**

Iowa Department of Revenue and Finance

(LSB 3540HV, JWR)

FILED APRIL 18, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

enactment and applies retroactively to January 1, 2001, for tax years beginning on or after that date.

HOUSE FILE 707

AN ACT

ESTABLISHING AN INTERSTATE DISTRIBUTION CENTER INITIATIVE BY IDENTIFYING AN ACTIVITY OF A FOREIGN CORPORATION FOR WHICH A RETURN IS NOT REQUIRED FOR STATE INCOME TAX PURPOSES AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 422.36, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 6. A foreign corporation is not required to file a return if its only activities in Iowa are the storage of goods for a period of sixty consecutive days or less in a warehouse for hire located in this state whereby the foreign corporation transports or causes a carrier to transport such goods to that warehouse and provided that none of the goods are delivered or shipped so as to be included in the gross sales of the corporation within this state as provided in section 422.33, subsection 2, paragraph "b", subparagraph (6).

Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon

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BRENT SIEGRIST  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 707, Seventy-ninth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved 4/30, 2001

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THOMAS J. VILSACK  
Governor