

Hansen, Chair
Siewers
Jochum

HSB 108

WAYS AND MEANS

Succeeded

HOUSE FILE

0738

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 exempting from sales and use taxes the sales and rentals
2 made and services furnished to licensed nonprofit nursing
3 facilities.

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

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1 Section 1. Section 422.45, Code 2001, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 54C. The gross receipts from the sale or
4 rental of tangible personal property or from services
5 performed, rendered, or furnished to a nonprofit nursing
6 facility licensed pursuant to chapter 135C, to be used in the
7 operation of the nursing facility.

8 EXPLANATION

9 This bill exempts from the sales and use taxes the sales
10 and rentals of tangible personal property to and services
11 furnished to licensed nonprofit nursing facilities for use in
12 the operation of the nursing facilities. Nursing facilities
13 covered under this exemption are those licensed under state
14 law or administrative rules, but facilities for persons with
15 mental retardation or illness are excluded.

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APR 26 2001
WAYS & MEANS CALENDAR

HOUSE FILE 738
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 108)

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

A BILL FOR

1 An Act exempting from sales and use taxes the sales and rentals
2 made and services furnished to licensed nonprofit nursing
3 facilities and including an effective and applicability date
4 provision.

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

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HF 738

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2 the following new subsection:

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4 rental of tangible personal property or from services
5 performed, rendered, or furnished to a nonprofit nursing
6 facility licensed pursuant to chapter 135C, to be used in the
7 operation of the nursing facility.

8 Sec. 2. EFFECTIVE AND APPLICABILITY PROVISION. This Act
9 takes effect only if the revenue estimating conference
10 estimates that, as a result of the enactment of federal income
11 tax legislation prior to January 1, 2002, Iowa income tax
12 receipts for the fiscal year beginning July 1, 2001, will be
13 increased by \$11.8 million or more over the amount of Iowa
14 income tax receipts which would have been realized in the
15 absence of the enactment of such federal income tax
16 legislation. If this Act takes effect, this Act applies to
17 the sale or rental of tangible personal property or the
18 performing, rendering, or furnishing of services occurring on
19 or after January 1, 2002.

20 EXPLANATION

21 This bill exempts from the sales and use taxes the sales
22 and rentals of tangible personal property to and services
23 furnished to licensed nonprofit nursing facilities for use in
24 the operation of the nursing facilities. Nursing facilities
25 covered under this exemption are those licensed under state
26 law or administrative rules, but facilities for persons with
27 mental retardation or illness are excluded.

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**HOUSE FILE 738
FISCAL NOTE**

A fiscal note for **House File 738** 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 738 exempts the sale or rental of tangible personal property by a nonprofit nursing home from the State sales tax and local option taxes. The Bill is effective only if federal income tax legislation is passed prior to January 1, 2002, and that legislation is estimated to increase Iowa income tax receipts by at least \$11.8 million in FY 2002. If the Bill takes effect, the exemption would apply to qualified purchases made after January 1, 2002.

ASSUMPTIONS

1. There are 178 qualifying nonprofit nursing homes in Iowa with a total of 14,187 beds.
2. The average amount of taxable purchases per bed per year is \$5,249.
3. The State sales tax rate is 5.0%, and statewide, local option sales tax collections equal 18.7% of the amount raised by the State sales tax.
4. The annual rate of inflation for the exempt purchases is estimated to be 4.1%
5. Due to the January 1, 2002, effective date, the impact for FY 2002 will be one-half of the annual impact.

FISCAL IMPACT

The Bill would reduce State sales and use tax General Fund receipts by \$2.0 million in FY 2002 and \$4.1 million in FY 2003.

The impact on local option sales tax receipts would be \$365,000 in FY 2002 and \$767,000 in FY 2003.

SOURCE

Department of Revenue and Finance

(LSB 1924hv, JWR)

FILED MAY 1, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

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1 club membership fees, sources of amusement, equipment
2 rental, dry cleaning, reducing salons, dance schools,
3 and all other services subject to tax, except the
4 aforementioned utility services which are subject to a
5 special transitional rule. Unlike periodic payments
6 under service contracts, installment sales of goods,
7 wares, and merchandise are subject to the full amount
8 of sales or use tax when the sales contract is entered
9 into or the property is first used in Iowa.

10 _____. The sections of this Act enacting new Code
11 sections 293.1 and 293.2, being deemed of immediate
12 importance, take effect upon enactment.

13 Sec. _____. This Act is repealed July 1, 2021, for
14 sales and use tax transactions occurring or, in the
15 case of utilities, being billed on or after that
16 date."

17 4. Title page, by striking lines 1 through 3 and
18 inserting the following: "An Act relating to the
19 imposition and application of sales and services tax
20 by a political subdivision, including the payment of
21 principal and interest of certain bonds, and providing
22 an effective date."

By RICHARDSON of Warren

H-1920 FILED MAY 2, 2001

Not germane 5/3/01 (p. 1807)