

MAR 20 2003

HOUSE FILE 654  
BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

(SUCCESSOR TO HF 26)

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

**A BILL FOR**

1 An Act relating to the exemption of sand handling and core and  
2 mold making equipment and materials used in the mold making  
3 process from sales and use taxes, providing refunds, 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 654

1 Section 1. Section 422.45, Code 2003, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 64. The gross receipts from the sale or  
4 rental of core and mold making equipment and sand handling  
5 equipment, sand, and chemicals directly and primarily used in  
6 the mold making process by a foundry.

7 Sec. 2. REFUNDS.

8 1. Refunds of taxes, interest, or penalties which arise  
9 from claims resulting from the enactment of section 422.45,  
10 subsection 64, in this Act, for sales or rentals of core and  
11 mold making equipment and sand handling equipment occurring  
12 between July 1, 1997, and the effective date of this Act,  
13 shall not be allowed unless refund claims are filed prior to  
14 October 1, 2003, notwithstanding any other provision of law.

15 2. Refunds of taxes, interest, or penalties which arise  
16 from claims resulting from the enactment of section 422.45,  
17 subsection 64, in this Act, for sales or rentals of sand and  
18 chemicals occurring between July 1, 1997, and the effective  
19 date of this Act, shall be limited to twenty-five thousand  
20 dollars in the aggregate and shall not be allowed unless  
21 refund claims are filed prior to October 1, 2003,  
22 notwithstanding any other provision of law. If the amount of  
23 claims totals more than twenty-five thousand dollars in the  
24 aggregate, the department of revenue and finance shall prorate  
25 the twenty-five thousand dollars among all claimants in  
26 relation to the amounts of the claimants' valid claims.

27 Sec. 3. EFFECTIVE DATE AND RETROACTIVE APPLICABILITY  
28 PROVISION. This Act, being deemed of immediate importance,  
29 takes effect upon enactment and applies retroactively to July  
30 1, 1997.

31 EXPLANATION

32 This bill exempts from the sales and use taxes the sale or  
33 rental of core and mold making equipment and sand handling  
34 equipment, sand, and chemicals directly and primarily used by  
35 a foundry in the mold making process. Refunds, as a result of

1 this exemption, are allowed if claims are filed prior to  
2 October 1, 2003. The exemption is retroactively applicable to  
3 July 1, 1997, for sales or rentals made on or after that date.  
4 Refunds for the equipment are for the total amount of taxes  
5 paid. Refunds for the sand and chemicals are limited to  
6 \$25,000 in the aggregate. If claims in excess of \$25,000 are  
7 filed, the claims for the sand and chemicals are prorated.

8 The bill takes effect upon enactment and applies  
9 retroactively to July 1, 1997.

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**HOUSE FILE 654**

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**H-1222**

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1 Amend House File 654 as follows:

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2 1. Page 1, by striking lines 8 through 14.

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3 2. Page 1, line 15, by striking the figure "2."

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4 3. Page 1, lines 17 and 18, by striking the words  
5 "of sand and chemicals".

**By JOCHUM of Dubuque**

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**H-1222 FILED APRIL 2, 2003**

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*Lost 4/14/03*

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**HOUSE FILE 654**

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**H-1238**

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1 Amend House File 654 as follows:

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2 1. Page 1, by inserting after line 6 the  
3 following:

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4 "This exemption does not apply to a foundry unless  
5 all of the following conditions are met:

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6 a. The foundry pays a median wage for hourly,  
7 nonmanagement employees working at the foundry of at  
8 least twelve dollars per hour.

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9 b. The foundry provides at least eighty percent of  
10 the cost of a standard medical and dental insurance  
11 plan for all full-time employees working at the  
12 foundry."

**By HOGG of Linn**

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**H-1238 FILED APRIL 2, 2003**

*Lost 4/14/03*

HOUSE FILE 654

H-1226

- 1 Amend House File 654 as follows:
- 2 1. Page 1, lines 13 and 14, by striking the words
- 3 and figures "prior to October 1, 2003," and inserting
- 4 the following: "within one hundred twenty days
- 5 following the effective date of this Act".
- 6 2. Page 1, line 21, by striking the words and
- 7 figures "prior to October 1, 2003," and inserting the
- 8 following: "within one hundred twenty days following
- 9 the effective date of this Act".
- 10 3. Page 1, by striking lines 28 through 30 and
- 11 inserting the following: "PROVISION. This Act takes
- 12 effect on the date the general assembly notifies the
- 13 department of revenue and finance of a reduction in or
- 14 the elimination of a specific service or program
- 15 funded by an appropriation from the general fund of
- 16 the state that will at least offset the estimated
- 17 future revenue loss to the general fund of the state
- 18 as a result of the implementation of this Act. If
- 19 this Act takes effect, this Act applies retroactively
- 20 to July 1, 1997."

By JOCHUM of Dubuque  
SHOULTZ of Black Hawk

H-1226 FILED APRIL 2, 2003

Lost 4/14/03

HOUSE FILE 654

H-1281

- 1 Amend House File 654 as follows:
- 2 1. Page 1, line 5, by striking the words ", sand,
- A 3 and chemicals".
- 4 2. Page 1, by striking lines 15 through 26.
- B 5 3. Title page, line 2, by striking the words "and
- 6 materials".

By WISE of Lee  
HUSER of Polk

J. K. VAN FOSSEN of Scot  
VAN ENGELENHOVEN of Mar:

H-1281 FILED APRIL 7, 2003

H-1281A adopted 4/14/03

H-1281 B adopted 4/14/03

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HF 654 - Foundry Mold Sales Tax Exemption (LSB 1455 HV.1)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version — Amendment H-1281

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**Description**

Amendment H-1281 removes sand and chemicals from the foundry sales tax exemption proposed in House File 654.

**Fiscal Impact**

Removing sand and chemicals from the sales and use tax exemption proposed by Amendment H-1281 to HF 654 would reduce the Bill's impact on General Fund revenues. The fiscal impact of Amendment H-1281 would be a reduction in General Fund revenues of \$133,000 in FY 2004 and \$138,000 in FY 2005. Similar reductions would occur in future fiscal years.

Also, the retroactive application of the exemption (mold and core making equipment only) contained in HF 654 would reduce General Fund net revenues in FY 2004 by an additional \$800,000. The fiscal impact of HF 654, as amended by H-1281, would result in a total General Fund sales tax reduction of approximately \$933,000 annually.

The tax exemption could also impact those local governments with a local option sales tax. House File 654, as amended by H-1281, could reduce local sales tax revenues by \$27,000 per year.

**Sources**

Department of Revenue and Finance  
U.S. Census Bureau

*/s/ Dennis C Prouty*

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April 8, 2003

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HF 654 - Foundry Mold Sales Tax Exemption (LSB 1455 HV.2)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version — Amendment H-1281 – Revised

Requested by: Representative Philip Wise

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**Description**

Amendment H-1281 removes sand and chemicals from the foundry sales tax exemption proposed in House File 654.

**Fiscal Impact**

Removing sand and chemicals from the sales and use tax exemption proposed by Amendment H-1281 to HF 654 would reduce the Bill's impact on General Fund revenues. The fiscal impact of Amendment H-1281 would be a reduction in General Fund revenues of \$133,000 in FY 2004 and \$138,000 in FY 2005. Similar reductions would occur in future fiscal years.

Also, the retroactive application of the exemption (mold and core making equipment only) contained in HF 654 would reduce General Fund net revenues in FY 2004 by an additional \$800,000.

The tax exemption could also impact those local governments with a local option sales tax. House File 654, as amended by H-1281, could reduce local sales tax revenues by \$27,000 per year.

**Sources**

Department of Revenue and Finance

U.S. Census Bureau

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/s/ Dennis C Prouty

April 10, 2003

### **Description**

House File 654 creates a sales and use tax exemption for the sale and rental of core and mold making equipment, sand, and chemicals directly and primarily used by a foundry in the mold making process. The exemption is retroactive to July 1, 1997. The Bill as amended limits the tax refunds for the sand and chemical portion of the retroactive exemption to \$25,000 in total. The exemption for core and mold making equipment does not have a limit on retroactive tax refunds.

### **Assumptions**

1. Without legislation, the Department of Revenue and Finance will continue to interpret Iowa's sales and use tax statutes in a manner subjecting foundry core and mold making equipment, sand, and chemicals to the 5.0% tax, and this interpretation will not be overturned in legal proceedings.
2. In 2003, Iowa foundries will expend \$17.2 million on core and mold making equipment, sand, and chemicals utilized in the mold making process.  
This estimate is based on the U.S. Census Bureau's 1997 Economic Census estimate of national foundry material costs of \$12.2 billion with the following factors and assumptions:
  - Iowa's foundry employment percentage is 2.0% of the national total, so Iowa's material usage is also 2.0% of the national total.
  - A growth factor of 4.0% per year is applied for the six years since 1997.
  - Core and mold making equipment, sand, and chemicals compose 4.7% of Iowa material costs.
  - An additional 18.0% is added to include portions of the foundry industry that are not included in the Census Bureau's foundry category. Those portions of the industry would also be eligible for the tax exemption and refunds.
3. Refunds of previous taxes paid and non-payment of back taxes due to the exemption will decrease revenues and increase refunds in FY 2004 by \$25,000 for sand and chemical refunds and \$795,000 for core and mold making equipment refunds.

### **Fiscal Impact**

The sales and use tax exemption contained in HF 654 will reduce General Fund revenues by \$860,000 in FY 2004 and \$890,000 in FY 2005. Similar reductions will occur in future fiscal years.

Also, the retroactive application of the exemption will reduce General Fund net revenues in FY 2004 by an additional \$820,000.

The tax exemption will also impact those local governments with a local option sales tax. The exemption would only apply to sales subject to the retail sales tax. Sales subject to the use tax are already excluded from local option sales taxes. If 50.0% of annual sales are in the form of retail sales and take place in a local option jurisdiction, then the impact would be \$86,000 per year.

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### **Sources**

Department of Revenue and Finance  
U.S. Census Bureau

/s/ Dennis C Prouty

March 24, 2003

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HOUSE FILE 654  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 26)

(As Amended and Passed by the House April 14, 2003)

Passed House, Date Passed <sup>4/29/03</sup> 4/14/03 Passed Senate, Date 4/24/03  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved 5/30/03

**A BILL FOR**

1 An Act relating to the exemption of sand handling and core and  
\*2 mold making equipment used in the mold making process from  
3 sales and use taxes, providing refunds, and including  
4 effective and retroactive applicability date provisions.

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

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Deleted Language \*

HF 654

1 Section 1. Section 422.45, Code 2003, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 64. The gross receipts from the sale or  
4 rental of core and mold making equipment and sand handling  
\* 5 equipment directly and primarily used in the mold making  
6 process by a foundry.

7 Sec. 2. REFUNDS.

8 1. Refunds of taxes, interest, or penalties which arise  
9 from claims resulting from the enactment of section 422.45,  
10 subsection 64, in this Act, for sales or rentals of core and  
11 mold making equipment and sand handling equipment occurring  
12 between July 1, 1997, and the effective date of this Act,  
13 shall not be allowed unless refund claims are filed prior to  
14 October 1, 2003, notwithstanding any other provision of law.

\* 15 Sec. 3. EFFECTIVE DATE AND RETROACTIVE APPLICABILITY  
16 PROVISION. This Act, being deemed of immediate importance,  
17 takes effect upon enactment and applies retroactively to July  
18 1, 1997.

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S-3259

1 Amend House File 654, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 7 through 14 and  
4 inserting the following:

5 "Sec. \_\_\_\_ . REFUND TAX CREDITS.

6 1. Refund tax credits, as provided in this  
7 section, shall be granted in lieu of refunds of taxes,  
8 interest, or penalties which arise from claims  
9 resulting from the enactment of section 422.45,  
10 subsection 64, in this Act, for sales or rentals of  
11 core and mold making equipment and sand handling  
12 equipment occurring between July 1, 1997, and the  
13 effective date of this Act. Refund tax credits shall  
14 not be allowed unless refund tax credit claims are  
15 filed prior to October 1, 2003, notwithstanding any  
16 other provision of law. However, the aggregate amount  
17 of refund tax credits issued pursuant to this section  
18 shall not exceed a total of one million dollars. If  
19 the amount of claims totals more than one million  
20 dollars in the aggregate, the department of revenue  
21 and finance shall prorate the one million dollars  
22 among all claimants in relation to the amount of the  
23 claimants' valid claims.

24 2. Refund tax credits shall be allowed against the  
25 taxes imposed in chapter 422, divisions II, III, and  
26 IV, and chapter 423. An individual may claim a refund  
27 tax credit incurred by a refund tax partnership, S  
28 corporation, limited liability company, estate, or  
29 trust electing to have the income taxed directly to  
30 the individual. The amount claimed by the individual  
31 shall be based upon the pro rata share of the  
32 individual's earnings of a partnership, S corporation,  
33 limited liability company, estate, or trust.

34 3. A taxpayer shall only redeem a refund tax  
35 credit for a tax period beginning on or after January  
36 1, 2004. The amount of tax credits redeemable by a  
37 taxpayer during a calendar year shall not exceed the  
38 lesser of twenty percent of the amount of tax credits  
39 originally granted the taxpayer or the total tax  
40 liabilities of the taxpayer under chapter 422,  
41 divisions II, III, and IV, and chapter 423.

42 4. The department of revenue and finance shall  
43 establish criteria and procedures for the allocation  
44 and issue of refund tax credits under this section."

45 2. Title page, line 3, by inserting after the  
46 word "refunds" the following: "in the form of tax  
47 credits".

By DAVID MILLER  
EUGENE S. FRAISE

WILLIAM A. DOTZLER  
THOMAS G. COURTNEY

S-3259 FILED APRIL 21, 2003

Withdrawn 4/24/03

S-3309

1 Amend House File 654, as amended, passed, and  
 2 reprinted by the House, as follows:  
 3 1. Page 1, by striking lines 13 and 14 and  
 4 inserting the following: "shall be limited to six  
 5 hundred thousand dollars in the aggregate and shall  
 6 not be allowed unless refund claims are filed prior to  
 7 October 1, 2003, notwithstanding any other provision  
 8 of law. If the amount of claims totals more than six  
 9 hundred thousand dollars in the aggregate, the  
 10 department of revenue and finance shall prorate the  
 11 six hundred thousand dollars among all claimants in  
 12 relation to the amounts of the claimants' valid  
 13 claims. However, notwithstanding any other provision  
 14 of law, each valid refund claim shall be paid by the  
 15 department of revenue and finance in five equal  
 16 installments, or as equal as possible, over five  
 17 fiscal years beginning with the fiscal year beginning  
 18 July 1, 2003. Claimants shall not be entitled to  
 19 interest on any installments."

By DAVID MILLER

EUGENE S. FRAISE  
 THOMAS G. COURTNEY

MIKE CONNOLLY

WILLIAM A. DOTZLER

S-3309 FILED APRIL 24, 2003

ADOPTED

SENATE AMENDMENT TO  
 HOUSE FILE 654

H-1487

1 Amend House File 654, as amended, passed, and  
 2 reprinted by the House, as follows:  
 3 1. Page 1, by striking lines 13 and 14 and  
 4 inserting the following: "shall be limited to six  
 5 hundred thousand dollars in the aggregate and shall  
 6 not be allowed unless refund claims are filed prior to  
 7 October 1, 2003, notwithstanding any other provision  
 8 of law. If the amount of claims totals more than six  
 9 hundred thousand dollars in the aggregate, the  
 10 department of revenue and finance shall prorate the  
 11 six hundred thousand dollars among all claimants in  
 12 relation to the amounts of the claimants' valid  
 13 claims. However, notwithstanding any other provision  
 14 of law, each valid refund claim shall be paid by the  
 15 department of revenue and finance in five equal  
 16 installments, or as equal as possible, over five  
 17 fiscal years beginning with the fiscal year beginning  
 18 July 1, 2003. Claimants shall not be entitled to  
 19 interest on any installments."

RECEIVED FROM THE SENATE

H-1487 FILED APRIL 28, 2003

House concurred 4/29/03

HOUSE FILE 654

AN ACT

RELATING TO THE EXEMPTION OF SAND HANDLING AND CORE AND MOLD MAKING EQUIPMENT USED IN THE MOLD MAKING PROCESS FROM SALES AND USE TAXES, PROVIDING REFUNDS, AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 422.45, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 64. The gross receipts from the sale or rental of core and mold making equipment and sand handling equipment directly and primarily used in the mold making process by a foundry.

Sec. 2. REFUNDS. Refunds of taxes, interest, or penalties which arise from claims resulting from the enactment of section 422.45, subsection 64, in this Act, for sales or rentals of core and mold making equipment and sand handling equipment occurring between July 1, 1997, and the effective date of this Act, shall be limited to six hundred thousand dollars in the aggregate and shall not be allowed unless refund claims are filed prior to October 1, 2003, notwithstanding any other provision of law. If the amount of claims totals more than six hundred thousand dollars in the aggregate, the department of revenue and finance shall prorate the six hundred thousand dollars among all claimants in relation to the amounts of the claimants' valid claims. However, notwithstanding any other provision of law, each valid refund claim shall be paid by the department of revenue and finance in five equal installments, or as equal as possible, over five fiscal years beginning with the fiscal

year beginning July 1, 2003. Claimants shall not be entitled to interest on any installments.

Sec. 3. EFFECTIVE DATE AND RETROACTIVE APPLICABILITY PROVISION. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1997.

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CHRISTOPHER C. RANTS  
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 654, Eightieth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved \_\_\_\_\_, 2003

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THOMAS J. VILSACK  
Governor