

APR 4 2003
WAYS & MEANS CALENDAR

HOUSE FILE 666
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 546)

(SUCCESSOR TO HSB 13)

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

A BILL FOR

1 An Act creating a sales tax exemption for certain equipment sold
2 for use in a warehouse or distribution center.

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

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HF 666

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 of
4 racks, shelving, and conveyor equipment to be used in a
5 warehouse or distribution center.

6 EXPLANATION

7 This bill creates a sales tax exemption for the gross
8 receipts from the sale of racks, shelving, and conveyor
9 equipment to be used in a warehouse or distribution center.

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HF 666 - Sales Tax Exemption, Distribution Center Equip. (LSB 1460 HZ)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version — New

Description

House File 666 exempts warehouse and distribution center rack, shelving, and conveyor equipment purchases from the State sales and use tax and the local option sales tax. The exemption is effective July 1, 2003 (FY 2004).

Assumptions

1. Nationally, warehouse and distribution centers installed \$8.0 billion worth of racks, shelving, and conveyor equipment in 2001 with an annual percentage growth trend of 4.8% per year.
2. Using national and Iowa annual employment figures for those industries, it is estimated that Iowa's warehousing and distribution center employment is 0.24% of national employment; therefore, Iowa installations of racks, shelving, and conveyor equipment equal 0.24% of the national amount, or \$19.5 million in 2001.
3. With an annual growth rate of 4.8%, Iowa installations will equal \$22.5 million in FY 2004 and \$23.6 million in FY 2005.

Fiscal Impact

Exempting warehouse and distribution center racks, shelving, and conveyor equipment from the State sales and use tax will reduce General Fund tax receipts by \$1.1 million in FY 2004 and \$1.2 million in FY 2005. Similar impacts would occur in future years.

The exemption would also have a potential impact on local option sales tax collections. For a particular sale to have an impact, the sale would have to be subject to the State sales tax (as opposed to the State use tax) and would have to occur in a jurisdiction with a local option sales tax. The impact on local option tax collections would likely be less than \$100,000.

Sources

Department of Revenue and Finance
Materials Handling Industry of America
U.S. Census Bureau – County Business Patterns

/s/ Dennis C Prouty

April 14, 2003

HOUSE FILE 666

H-1279

1 Amend House File 666 as follows:
2 1. Page 1, by inserting after line 5 the
3 following:
4 "Sec. ____ . EFFECTIVE DATE PROVISION. This Act
5 takes effect on the date the general assembly notifies
6 the department of revenue and finance of a reduction
7 in or the elimination of a specific service or program
8 funded by an appropriation from the general fund of
9 the state that will at least offset the estimated
10 future revenue loss to the general fund of the state
11 as a result of the implementation of this Act."
12 2. Title page, line 2, by inserting after the
13 word "center" the following: "and including an
14 effective date".

By JOCHUM of Dubuque
SHOULTZ of Black Hawk

H-1279 FILED APRIL 7, 2003

HOUSE FILE 666

H-1298

1 Amend House File 666 as follows:
2 1. Page 1, by inserting after line 5 the
3 following:
4 "This exemption does not apply to a sale unless all
5 of the following conditions are met:
6 a. The warehouse or distribution center pays a
7 median wage for hourly, nonmanagement employees
8 working at the warehouse or distribution center of at
9 least twelve dollars per hour.
10 b. The warehouse or distribution center provides
11 at least eighty percent of the cost of a standard
12 medical and dental insurance plan for all full-time
13 employees working at the warehouse or distribution
14 center."

By HOGG of Linn

H-1298 FILED APRIL 9, 2003

Jim Van Fossen, Chr.
Wilderdyke
Struyk

Succeeded By HSB 13
SF 546 + 666
ECONOMIC GROWTH
HOUSE FILE _____
BY (PROPOSED COMMITTEE ON ECONOMIC
GROWTH BILL BY CHAIRPERSON
HOFFMAN)

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

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S.F. _____ H.F. _____

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