

FILED FEB 1980

SENATE FILE 2121
BY COMMITTEE ON WAYS
AND MEANS

(SUCCESSOR TO SSB 3001)

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

A BILL FOR

1 An Act exempting certain environmental test laboratory services
2 from the state sales and use taxes.

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

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SF 2121
WAYS & MEANS

1 Section 1. Section 423.3, as enacted by 2003 Iowa Acts,
2 First Extraordinary Session, chapter 2, section 96, is amended
3 by adding the following new subsection:

4 NEW SUBSECTION. 84. The sales price from the furnishing
5 of environmental test laboratory services, including services
6 of a mobile environmental testing laboratory and field testing
7 services by an environmental test laboratory.

8 EXPLANATION

9 This bill exempts from the sales and use taxes the
10 furnishing of environmental test laboratory services,
11 including field testing services and mobile environmental test
12 laboratories.

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**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

SF 2121 - Environmental Testing Sales Tax Exemption (LSB 5114 SV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version — New

Description

Senate File 2121 exempts environmental testing services from the State sales and use tax.

Assumptions

1. Department of Revenue research identified \$470,000 to \$500,000 in FY 2003 sales and use tax payments from 27 Iowa environmental testing businesses.
2. Local option sales tax revenues will equal 17.0% of State sales tax revenues.
3. Environmental testing sales will grow by 5.0% per year.
4. Implementation of the Streamlined Sales Tax agreement and more normal revenue growth patterns will push annual Iowa sales and use tax revenue growth above 2.0%, starting FY 2006.
5. House Files 692 and 683 (Grow Iowa Values Fund Acts of 2003) require all sales and use tax growth above 2.0% to be deposited to the Grow Iowa Values Fund.

Fiscal Impact

Senate File 2121 will reduce State General Fund revenues by \$500,000 in FY 2005. After FY 2005, the fiscal impact of the exemption will shift to the Grow Iowa Values Fund. The exemption will also reduce local option sales tax revenues by \$85,000 in FY 2005.

SF 2121 Sales & Use Tax Revenue Reductions

Fiscal Year	State General Fund	Grow Iowa Values Fund	Local Option Sales Tax
FY 2005	\$ 500,000	\$ 0	\$ 85,000
FY 2006	0	525,000	89,000
FY 2007	0	551,000	94,000
FY 2008	0	579,000	98,000
FY 2009	0	608,000	103,000
FY 2010	0	638,000	108,000

Sources

Iowa FY 2003 Sales Tax Records
Department of Revenue

Dennis C Prouty

February 17, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

SENATE FILE 2121

S-5030

1 Amend Senate File 2121 as follows:
2 1. Page 1, by inserting after line 7, the
3 following:
4 "Sec. _____. CONTINGENT EFFECTIVE DATE. The
5 effective date of this Act is contingent upon the
6 state fully funding state aid pursuant to chapter 257
7 as computed for an allowable growth of six percent and
8 is contingent upon the compliance as part of the
9 budgeting process of a spending limitation of ninety-
10 eight percent of the adjusted revenue estimate as
11 defined in section 8.54."
12 2. Title page, line 2, by inserting after the
13 word "taxes" the following: "and including a
14 contingent effective date provision".

By MATT McCOY

S-5030 FILED FEBRUARY 24, 2004
WITHDRAWN

SENATE FILE 2121

S-5031

1 Amend Senate File 2121 as follows:
2 1. Page 1, by inserting after line 7, the
3 following:
4 "Sec. _____. CONTINGENT EFFECTIVE DATE. The
5 effective date of this Act is contingent upon the
6 state fully funding state aid pursuant to chapter 257
7 as computed for an allowable growth of six percent."
8 2. Title page, line 2, by inserting after the
9 word "taxes" the following: "and including a
10 contingent effective date provision".

By MATT McCOY

S-5031 FILED FEBRUARY 24, 2004
LOST

SENATE FILE 2121

H-8407

1 Amend Senate File 2121, as passed by the Senate, as
2 follows:
3 1. Page 1, line 7, by inserting after the word
4 "laboratory" the following: "and the sales price from
5 the furnishing of genetic test laboratory services
6 involving genetically modified organism testing and
7 animal speciation testing".
8 2. Title page, line 1, by inserting after the
9 word "environmental" the following: "and genetic".

By WHITAKER of Van Buren

H-8407 FILED APRIL 6, 2004
LOST

McKibben
Shull
Dotzler

SSB# 3001

Succeeded By
Sr/HF 2121

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON MCKIBBEN)

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

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1 An Act exempting certain environmental test laboratory services
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VETO

May 14, 2004

The Honorable Chester Culver
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit **Senate File 2121**, an act exempting certain environmental test laboratory services from the state sales and use taxes.

Iowa's personal and sales tax rates rank near the middle when compared with other states. Our corporate income tax rate is one of the most competitive in the nation; and in fact, environmental testing labs benefit from Iowa's single factor apportionment formula regarding corporate income tax liability. However, we score lower when compared with other states in tax fairness because we have a large number of sales tax exemptions that have been enacted in the last decade. Our sales tax burden is heavier on the average Iowan and grows considerably unfair when additional exemptions are included.

This is why, in my **Condition of the State** address in January, I called on the legislature to modernize the sales tax structure to more fairly and accurately reflect Iowa's new economy where services represent the fastest growing segment. Broadening the sales tax base while lowering the overall sales tax rate over time would bring a larger degree of fairness while insuring necessary resources to fund our priorities. This bill would work counter to that effort by providing an additional sales tax exemption.

This bill would also reduce resources available for the Iowa Values Fund. This year, I proposed a permanent funding source for that Fund, but the Legislature failed to enact it. As a result, the Iowa Values Fund will only receive additional resources if sales tax revenue grows by more than 2% each year. This bill, by reducing sales tax collections, would make it all that much more difficult to provide resources for economic development.

The environmental test laboratory services are an important industry, especially in Iowa as we value safe and clean water. Several Iowa environmental labs compete nationally with labs from other states. Many of the out of state labs do not charge Iowa sales tax on business in Iowa. This places our labs in a non-competitive situation; therefore, I direct the Department of Revenue to vigorously enforce our sales tax laws on

all out of state lab companies that offer services in Iowa so as to level the playing field with Iowa-based labs.

For the above reasons, I hereby respectfully disapprove **Senate File 2121**. Iowa remains a competitive state to do business, and our Department of Economic Development is committed to providing support to the environmental test labs businesses interested creating jobs in Iowa.

Sincerely,

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House

VETO

of a mobile environmental testing laboratory and field testing services by an environmental test laboratory.

JEFFREY M. LAMBERTI
President of the Senate

CHRISTOPHER C. RANTS
Speaker of the House

SENATE FILE 2121

AN ACT
EXEMPTING CERTAIN ENVIRONMENTAL TEST LABORATORY SERVICES FROM
THE STATE SALES AND USE TAXES.

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

Section 1. Section 423.3, as enacted by 2003 Iowa Acts,
First Extraordinary Session, chapter 2, section 96, is amended
by adding the following new subsection:

NEW SUBSECTION. 84. The sales price from the furnishing
of environmental test laboratory services, including services

I hereby certify that this bill originated in the Senate and
is known as Senate File 2121, Eightieth General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2004

THOMAS J. VILSACK
Governor