

House File 912 - Introduced

HOUSE FILE _____
BY COMMITTEE ON WAYS AND MEANS
(SUCCESSOR TO HSB 311)

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

A BILL FOR

1 An Act relating to providing sales, use, and property tax
2 exemptions for a certain web search portal business.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 2922HV 82
5 mg/gg/14

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1 1 Section 1. Section 423.3, Code 2007, is amended by adding
2 the following new subsection:
1 3 NEW SUBSECTION. 92. a. (1) The sales price from the
1 4 sale or rental of computers and equipment that are necessary
1 5 for the maintenance and operation of a web search portal and
1 6 property whether directly or indirectly connected to the
1 7 computers, including but not limited to cooling systems,
1 8 cooling towers, and other temperature control infrastructure;
1 9 power infrastructure for transformation, distribution, or
1 10 management of electricity used for the maintenance and
1 11 operation of the web search portal, including but not limited
1 12 to exterior dedicated business-owned substations, back-up
1 13 power generation systems, battery systems, and related
1 14 infrastructure; and racking systems, cabling, and trays, which
1 15 are necessary for the maintenance and operation of the web
1 16 search portal.
1 17 (2) The sales price of back-up power generation fuel, that
1 18 is purchased by a web search portal business for use in the
1 19 items listed in subparagraph (1).
1 20 (3) The sales price of electricity purchased for use in
1 21 providing a web search portal.
1 22 b. For the purpose of claiming this exemption, all of the
1 23 following requirements shall be met:
1 24 (1) The primary business of the purchaser or renter shall
1 25 be as a provider of a web search portal.
1 26 (2) The web search portal business shall have a physical
1 27 location in the state that is used for the operations and
1 28 maintenance of the web search portal site on the internet
1 29 including but not limited to research and development to
1 30 support capabilities to organize information and to provide
1 31 internet access, navigation, and search.
1 32 (3) The web search portal business shall make a minimum
1 33 investment in an Iowa physical location of two hundred million
1 34 dollars within the first six years of operation in Iowa
1 35 beginning with the date the web search portal business
2 1 initiates site preparation activities. The minimum investment
2 2 includes the initial investment, including land and subsequent
2 3 acquisition of additional adjacent land and subsequent
2 4 investment at the Iowa location.
2 5 (4) The web search portal business shall purchase, option,
2 6 or lease Iowa land not later than December 31, 2008, for any
2 7 initial investment. However, the December 31, 2008, date
2 8 shall not affect the future purchases of adjacent land and
2 9 additional investment in the initial or adjacent land to
2 10 qualify as part of the minimum investment for purposes of this
2 11 exemption.
2 12 c. This exemption applies from the date of the initial
2 13 investment in or the initiation of site preparation activities
2 14 for the web search portal facility as described in paragraph
2 15 "b". For purposes of claiming this exemption, the
2 16 requirements may be met by aggregating the various investments
2 17 and other requirements of the web search portal business's
2 18 affiliates. This exemption applies to affiliates of the web

2 19 search portal business.
2 20 d. Failure to meet eighty percent of the minimum
2 21 investment amount requirement specified in paragraph "b"
2 22 within the first six years of operation from the date the web
2 23 search portal business initiates site preparation activities
2 24 will result in the web search portal business losing the right
2 25 to claim this exemption and the web search portal business
2 26 shall pay all sales or use tax that would have been due on the
2 27 purchase or rental or use of the items listed in this
2 28 exemption, plus any applicable penalty and interest imposed by
2 29 statute.

2 30 e. For purposes of this subsection:

2 31 (1) "Affiliate" means an entity that directly or
2 32 indirectly controls, is controlled with or by, or is under
2 33 common control with another entity.

2 34 (2) "Control" means any of the following:

2 35 (a) In the case of a United States corporation, the
3 1 ownership, directly or indirectly, of fifty percent or more of
3 2 the voting power to elect directors.

3 3 (b) In the case of a foreign corporation, if the voting
3 4 power to elect the directors is less than fifty percent, the
3 5 maximum amount allowed by applicable law.

3 6 (c) In the case of an entity other than a corporation,
3 7 fifty percent or more ownership interest in the entity, or the
3 8 power to direct the management of the entity.

3 9 (3) "Web search portal business" means an entity whose
3 10 primary business is to provide a search portal to organize
3 11 information; to access, search, and navigate the internet,
3 12 including research and development to support capabilities to
3 13 organize information; and to provide internet access,
3 14 navigation, and search functionalities.

3 15 Sec. 2. Section 427.1, Code 2007, is amended by adding the
3 16 following new subsection:

3 17 NEW SUBSECTION. 35. a. Property that is utilized by a
3 18 web search portal business as defined in and meeting the
3 19 requirements of section 423.3, subsection 92, including
3 20 computers and equipment that are necessary for the maintenance
3 21 and operation of a web search portal and other property
3 22 whether directly or indirectly connected to the computers,
3 23 including but not limited to cooling systems, cooling towers,
3 24 and other temperature control infrastructure; power
3 25 infrastructure for transformation, distribution, or management
3 26 of electricity, including but not limited to exterior
3 27 dedicated business-owned substations, and power distribution
3 28 systems which are not subject to assessment under chapter
3 29 437A; racking systems, cabling, and trays; and back-up power
3 30 generation systems, battery systems, and related
3 31 infrastructure all of which are necessary for the maintenance
3 32 and operation of the web search portal site.

3 33 b. This exemption applies beginning with the assessment
3 34 year the investment in or construction of the facility
3 35 utilizing the materials, equipment, and systems set forth in
4 1 paragraph "a" are first assessed. For purposes of claiming
4 2 this exemption, the requirements may be met by aggregating the
4 3 various investments and other requirements of the web search
4 4 portal business's affiliates as allowed under section 423.3,
4 5 subsection 92. This exemption applies to affiliates of the
4 6 web search portal business.

4 7 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to
4 8 the property tax exemption enacted in this Act.

4 9 EXPLANATION

4 10 This bill provides a sales and use tax exemption for the
4 11 sale or rental of computers and equipment that are necessary
4 12 for the maintenance and operation of a web search portal and
4 13 property that is directly or indirectly connected to the
4 14 computers; the sale of back-up power generation fuel; and
4 15 electricity used in providing the web search portal.

4 16 To qualify for the sales and use tax exemption, the primary
4 17 business of the purchaser or renter must be as a provider of a
4 18 web search portal, the web search portal business must have a
4 19 physical location in the state that is used for the operations
4 20 and maintenance of the web search portal site on the internet,
4 21 the business must have a minimum investment within the first
4 22 six years of operation in Iowa of \$200 million, and the
4 23 business must purchase, option, or lease land in the state not
4 24 later than December 31, 2008.

4 25 The bill also provides a property tax exemption for
4 26 property utilized by a web search portal business as defined
4 27 in and meeting the qualifications of the provisions for the
4 28 sales and use tax exemption.

4 29 Code section 25B.7 does not apply to the property tax

4 30 exemption in the bill. This Code section requires state
4 31 funding to implement property tax exemption.
4 32 LSB 2922HV 82
4 33 mg/gg/14