

# House Study Bill 311

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SHOMSHOR)

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 2922HC 82  
5 mg/gg/14

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1 1 Section 1. Section 423.3, Code 2007, is amended by adding  
1 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 2922HC 82  
4 33 mg/gg/14