

House Study Bill 646

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 certain web search portal businesses.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 6471HC 82
5 mg/rj/24

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1 1 Section 1. Section 423.3, Code Supplement 2007, is amended
1 2 by adding the following new subsection:
1 3 NEW SUBSECTION. 93. a. (1) The sales price from the sale
1 4 or rental of computers and equipment that are necessary for
1 5 the maintenance and operation of a web search portal business
1 6 and 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 business, including but not
1 12 limited to exterior dedicated business-owned substations,
1 13 back-up 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 business.
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 by a
1 21 web search portal business.
1 22 b. For the purpose of claiming this exemption, all of the
1 23 following requirements shall be met:
1 24 (1) The purchaser or renter shall be a web search portal
1 25 business.
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 business.
1 29 (3) The web search portal business shall make a minimum
1 30 investment in an Iowa physical location of two hundred million
1 31 dollars within the first six years of operation in Iowa
1 32 beginning with the date the web search portal business
1 33 initiates site preparation activities. The minimum investment
1 34 includes the initial investment, including land and subsequent
1 35 acquisition of additional adjacent land and subsequent
2 1 investment at the Iowa location.
2 2 (4) The web search portal business shall purchase, option,
2 3 or lease Iowa land not later than December 31, 2008, for any
2 4 initial investment. However, the December 31, 2008, date
2 5 shall not affect the future purchases of adjacent land and
2 6 additional investment in the initial or adjacent land to
2 7 qualify as part of the minimum investment for purposes of this
2 8 exemption.
2 9 c. This exemption applies from the date of the initial
2 10 investment in or the initiation of site preparation activities
2 11 for the web search portal facility as described in paragraph
2 12 "b". For purposes of claiming this exemption, the
2 13 requirements may be met by aggregating the various Iowa
2 14 investments and other requirements of the web search portal
2 15 business's affiliates. This exemption applies to affiliates
2 16 of the web search portal business.
2 17 d. Failure to meet eighty percent of the minimum
2 18 investment amount requirement specified in paragraph "b"

2 19 within the first six years of operation from the date the web
2 20 search portal business initiates site preparation activities
2 21 will result in the web search portal business losing the right
2 22 to claim this web search portal business exemption and the web
2 23 search portal business shall pay all sales or use tax that
2 24 would have been due on the purchase or rental or use of the
2 25 items listed in this exemption, plus any applicable penalty
2 26 and interest imposed by statute.

2 27 e. For purposes of this subsection:

2 28 (1) "Affiliate" means an entity that directly or
2 29 indirectly controls, is controlled with or by, or is under
2 30 common control with another entity.

2 31 (2) "Control" means any of the following:

2 32 (a) In the case of a United States corporation, the
2 33 ownership, directly or indirectly, of fifty percent or more of
2 34 the voting power to elect directors.

2 35 (b) In the case of a foreign corporation, if the voting
3 1 power to elect the directors is less than fifty percent, the
3 2 maximum amount allowed by applicable law.

3 3 (c) In the case of an entity other than a corporation,
3 4 fifty percent or more ownership interest in the entity, or the
3 5 power to direct the management of the entity.

3 6 (3) "Web search portal business" means an entity whose
3 7 business among other businesses is to provide a search portal
3 8 to organize information; to access, search, and navigate the
3 9 internet, including research and development to support
3 10 capabilities to organize information; or to provide internet
3 11 access, navigation, or search functionalities.

3 12 Sec. 2. Section 427.1, Code Supplement 2007, is amended by
3 13 adding the following new subsection:

3 14 NEW SUBSECTION. 36. WEB SEARCH PROPERTY.

3 15 a. Property, other than land and buildings and other
3 16 improvements, that is utilized by a web search portal business
3 17 as defined in and meeting the requirements of section 423.3,
3 18 subsection 93, including computers and equipment that are
3 19 necessary for the maintenance and operation of a web search
3 20 portal business and other property whether directly or
3 21 indirectly connected to the computers, including but not
3 22 limited to cooling systems, cooling towers, and other
3 23 temperature control infrastructure; power infrastructure for
3 24 transformation, distribution, or management of electricity,
3 25 including but not limited to exterior dedicated business-owned
3 26 substations, and power distribution systems which are not
3 27 subject to assessment under chapter 437A; racking systems,
3 28 cabling, and trays; and back-up power generation systems,
3 29 battery systems, and related infrastructure all of which are
3 30 necessary for the maintenance and operation of the web search
3 31 portal business.

3 32 b. This web search portal business exemption applies
3 33 beginning with the assessment year the investment in or
3 34 construction of the facility utilizing the materials,
3 35 equipment, and systems set forth in paragraph "a" are first
4 1 assessed. For purposes of claiming this web search portal
4 2 business exemption, the requirements may be met by aggregating
4 3 the various Iowa investments and other requirements of the web
4 4 search portal business's affiliates as allowed under section
4 5 423.3, subsection 93. This exemption applies to affiliates of
4 6 the 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
4 13 business and property that is directly or indirectly connected
4 14 to the computers; the sale of back-up power generation fuel;
4 15 and electricity used in the operation and maintenance of the
4 16 web search portal business.

4 17 To qualify for the sales and use tax exemption, the
4 18 purchaser or renter must be a web search portal business, the
4 19 web search portal business must have a physical location in
4 20 the state that is used for the operations and maintenance of
4 21 the web search portal business, the business must have a
4 22 minimum investment within the first six years of operation in
4 23 Iowa of \$200 million, and the business must purchase, option,
4 24 or lease land in the state not 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. That Code section requires state
4 31 funding to implement a property tax exemption.
4 32 LSB 6471HC 82
4 33 mg/rj/24