

House File 140 - Introduced

HOUSE FILE _____
BY WENDT and WHITEAD

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 data processing businesses.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1207HH 83
5 tw/mg:sc/5

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1 1 Section 1. Section 423.3, Code 2009, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 93A. 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 data processing
1 6 business and property whether directly or indirectly connected
1 7 to the computers, including but not limited to cooling
1 8 systems, cooling towers, and other temperature control
1 9 infrastructure; power infrastructure for transformation,
1 10 distribution, or management of electricity used for the
1 11 maintenance and operation of the data processing business,
1 12 including but not limited to exterior dedicated business-owned
1 13 substations, back-up power generation systems, battery
1 14 systems, and related infrastructure; and racking systems,
1 15 cabling, and trays, which are necessary for the maintenance
1 16 and operation of the data processing business.
1 17 (2) The sales price of back-up power generation fuel that
1 18 is purchased by a data processing 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 data processing 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 data processing
1 25 business.
1 26 (2) The data processing business shall have a physical
1 27 location in the state that is used for the operations and
1 28 maintenance of the data processing business.
1 29 (3) The data processing 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 data processing business initiates
1 33 site preparation activities. The minimum investment includes
1 34 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 data processing business shall purchase, option,
2 3 or lease Iowa land not later than December 31, 2009, for any
2 4 initial investment. However, the December 31, 2009, 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 data processing 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 data processing
2 15 business's affiliates. This exemption applies to affiliates
2 16 of the data processing 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 data
2 20 processing business initiates site preparation activities will

2 21 result in the data processing business losing the right to
2 22 claim this data processing business exemption, and the data
2 23 processing business shall pay all sales or use tax that would
2 24 have been due on the purchase or rental or use of the items
2 25 listed in this exemption, plus any applicable penalty and
2 26 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) "Data processing business" means a business entity
3 7 having North American industry classification system number
3 8 518210.

3 9 Sec. 2. Section 427.1, Code 2009, is amended by adding the
3 10 following new subsection:

3 11 NEW SUBSECTION. 37. DATA PROCESSING PROPERTY.

3 12 a. Property, other than land and buildings and other
3 13 improvements, that is utilized by a data processing business
3 14 as defined in and meeting the requirements of section 423.3,
3 15 subsection 93A, including computers and equipment that are
3 16 necessary for the maintenance and operation of a data
3 17 processing business and other property whether directly or
3 18 indirectly connected to the computers, including but not
3 19 limited to cooling systems, cooling towers, and other
3 20 temperature control infrastructure; power infrastructure for
3 21 transformation, distribution, or management of electricity,
3 22 including but not limited to exterior dedicated business-owned
3 23 substations, and power distribution systems which are not
3 24 subject to assessment under chapter 437A; racking systems,
3 25 cabling, and trays; and back-up power generation systems,
3 26 battery systems, and related infrastructure all of which are
3 27 necessary for the maintenance and operation of the data
3 28 processing business.

3 29 b. This data processing business exemption applies
3 30 beginning with the assessment year the investment in or
3 31 construction of the facility utilizing the materials,
3 32 equipment, and systems set forth in paragraph "a" are first
3 33 assessed. For purposes of claiming this data processing
3 34 business exemption, the requirements may be met by aggregating
3 35 the various Iowa investments and other requirements of the
4 1 data processing business's affiliates as allowed under section
4 2 423.3, subsection 93A. This exemption applies to affiliates
4 3 of the data processing business.

4 4 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to
4 5 the property tax exemption enacted in this Act.

4 6 EXPLANATION

4 7 This bill provides a sales and use tax exemption for the
4 8 sale or rental of computers and equipment that are necessary
4 9 for the maintenance and operation of a data processing
4 10 business and property that is directly or indirectly connected
4 11 to the computers; the sale of back-up power generation fuel;
4 12 and electricity used in the operation and maintenance of the
4 13 data processing business.

4 14 To qualify for the sales and use tax exemption, the
4 15 purchaser or renter must be a data processing business. A
4 16 data processing business means a business having North
4 17 American industry classification system number 518210; the
4 18 data processing business must have a physical location in the
4 19 state that is used for the operations and maintenance of the
4 20 data processing business; the business must have a minimum
4 21 investment within the first six years of operation in Iowa of
4 22 \$200 million; and the business must purchase, option, or lease
4 23 land in the state not later than December 31, 2009.

4 24 The bill also provides a property tax exemption for
4 25 property utilized by a data processing business as defined in
4 26 and meeting the qualifications of the provisions for the sales
4 27 and use tax exemption.

4 28 Code section 25B.7 does not apply to the property tax
4 29 exemption in the bill. That Code section requires state
4 30 funding to implement a property tax exemption.

