

department shall adjust compensation ranges for those positions where it is determined necessary in order to recruit and retain personnel with the requisite skills to maintain the fiduciary responsibilities of the fund.

Sec. 63. Section 97B.67, Code 1987, is repealed.

Sec. 64. Sections 3, 5, 56, and 58 of this Act apply, beginning on the effective date of those sections, to persons who are beneficiaries on that date as well as those who become beneficiaries on or after that date.

The portions of sections 5 and 58 of this Act that relate to the definition of child are retroactive to January 1, 1987.

Sec. 65. Section 27 of this Act, being deemed of immediate importance, takes effect upon its enactment.

Sec. 66. Sections 16, 17, 24, 30, and 35 of this Act, being deemed of immediate importance, take effect upon enactment.

Sec. 67. Sections 16, 17, 24, 30, and 35 of this Act are retroactive to January 1, 1988.

Sec. 68. Employees of the Iowa peace institute covered under chapter 97B on the effective date of section 27 of this Act who do not file an application with the department of personnel to be covered under chapter 97B shall receive a refund of the accumulated contributions of the employee made under chapter 97B for service as an employee of the Iowa peace institute.

Approved May 13, 1988

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## CHAPTER 1243

### STATE TAXATION

*H.F. 2477*

**AN ACT** relating to certain state taxes by providing for the statute of limitations for state individual and corporate tax purposes, the definition of investment counseling for state sales, services, and use tax purposes, the allowance of the military service tax credit for mobile homes, for the exemption from or the refund of state sales, services, and use taxes on the gross receipts from sales or rentals of replacement parts for farm machinery, equipment, and implements and to the issuance of fuel exemption certificates for state sales, services and use tax purposes for the purchase of fuel used in farm implements, and providing a retroactive applicability and effective dates.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 99D.8, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

**99D.8 HORSE OR DOG RACING LICENSES — APPLICATIONS.**

A qualifying organization, as defined in section 513(d)(2)(C) of the Internal Revenue Code, as defined in section 422.3, exempt from federal income taxation under sections 501(c)(3), 501(c)(4), or 501(c)(5) of the Internal Revenue Code, which is organized to promote those purposes enumerated in section 99B.7, subsection 3, paragraph "b", and which regularly conducts, as one of its substantial exempt purposes, an agricultural and educational fair or exposition for the promotion of the horse, dog, or other livestock breeding industries of the state, or an agency, instrumentality, or political subdivision of the state, may apply to the commission for a license

to conduct horse or dog racing. The application shall be filed with the administrator of the commission at least sixty days before the first day of the horse race or dog race meeting which the organization proposes to conduct, shall specify the day or days when and the exact location where it proposes to conduct racing, and shall be in a form and contain information as the commission prescribes.

If any part of the net income of a licensee is determined to be unrelated business taxable income as defined in sections 511 through 514 of the Internal Revenue Code, the qualifying organization shall be required to distribute the amount of net unrelated business taxable income to political subdivisions in the state and organizations described in section 501(c)(3) of the Internal Revenue Code in the county in which it operates. Distributions to these organizations made during the year in which the unrelated business income was earned shall be treated as included in the required distributions for this purpose.

An organization which meets the requirements of this section, as amended, on or before July 1, 1988, shall be considered to have met the requirements of this section on the date that its initial application was originally filed.

Sec. 2. Section 422.45, subsection 22, Code Supplement 1987, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. Community health centers as defined in 42 U.S.C.A. § 254c and migrant health centers as defined in 42 U.S.C.A. § 254b.

Sec. 3. Section 422.45, subsection 26, unnumbered paragraph 1, Code Supplement 1987, is amended to read as follows:

The gross receipts from the sale or rental, ~~on or after July 1, 1987,~~ of farm machinery and equipment, including replacement parts ~~which are depreciable for state and federal income tax purposes,~~ if the following conditions are met:

Sec. 4. Section 422.45, subsection 26, Code Supplement 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. c. The replacement part is essential to any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in the production of agricultural products.

Sec. 5. Section 422.45, Code Supplement 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 36. The gross receipts from the sale or rental of farm machinery and equipment, including replacement parts, if all of the following conditions are met:

a. The implement, machinery, or equipment is directly and primarily used in livestock or dairy production.

b. The implement is not a self-propelled implement or implement customarily drawn or attached to self-propelled implements.

c. The replacement part is essential to any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in livestock or dairy production.

Sec. 6. Section 422.45, Code Supplement 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 36. Gross receipts from the sale of tangible personal property to a nonprofit organization which was organized for the purpose of lending the tangible personal property to the general public for use by them for nonprofit purposes.

NEW SUBSECTION. 37. The gross receipts from the sale or rental of tangible personal property or from services performed, rendered, or furnished to nonprofit legal aid organizations.

Sec. 7. Section 422.47, subsection 4, paragraph f, Code Supplement 1987, is amended to read as follows:

f. In this section, "fuel" includes gas, electricity, water, heat, steam, and any other tangible personal property consumed in creating heat, power, or steam. In this section, "fuel consumed in processing" means fuel used or disposed of for processing including grain drying, for providing heat or cooling for livestock buildings or for generating electric current, or consumed in self-propelled implements of husbandry engaged in agricultural production. In this subsection, "fuel exemption certificate" means an exemption certificate given by the purchaser under penalty of perjury to assist retailers in properly accounting for nontaxable sales of fuel consumed in processing. In this subsection, "substantial change" means a change in the use or disposition of tangible personal property and services by the purchaser such that the purchaser pays less than ninety percent of the purchaser's actual sales tax liability. A change includes a misstatement of facts in an application made pursuant to paragraph "c" or in a fuel exemption certificate.

Sec. 8. Section 422.47C, subsection 1, Code Supplement 1987, is amended to read as follows:

1. Sales, services, and use taxes paid on repairs to implements or on the purchase or rental of farm machinery or equipment, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the owner, purchaser, or renter provided all of the following conditions are met:

a. The repairs, purchase, or rental was made ~~on or after~~ between July 1, 1987, and June 30, 1988.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14 is applicable.

c. The claim is filed on forms provided by the department and is filed between July 1, 1988, and September 1 ~~for the previous calendar year,~~ 1988.

d. The implements, machinery or equipment is directly and primarily used in livestock or dairy production.

e. The implement is not a self-propelled implement or an implement customarily drawn or attached to a self-propelled implement, and the machinery or equipment is not a grain dryer, subject to an exemption under section 422.45.

f. The replacement part is essential to any repair or reconstruction necessary to the farm machinery's, equipment's, or implement's exempt use in livestock or dairy production.

Sec. 9. Section 422.70, subsection 1, Code 1987, is amended to read as follows:

1. The director, for the purpose of ascertaining the correctness of ~~any~~ a return or for the purpose of making an estimate of the taxable income or receipts of ~~any a~~ taxpayer, ~~shall have~~ has power: To examine or cause to be examined by ~~any an~~ agent or representative designated by the director, books, papers, records, or memoranda, ~~such an examination not to include any transaction completed five years or more prior to such an examination, provided, however, that the director may, by rules, provide for a limitation of time of any number of years less than five; to require by subpoena the attendance and testimony of witnesses; to issue and sign subpoenas; to administer oaths, to examine witnesses and receive evidence; to compel witnesses to produce for examination books, papers, records, and documents relating to any matter which the director shall have~~ has the authority to investigate or determine.

Sec. 10. Section 427.3, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 6. For the purpose of determining a military tax exemption under this section, property includes a mobile home as defined in section 135D.1.

Sec. 11. Section 7 of this Act applies retroactively to January 1, 1988.

Approved May 13, 1988