

MAR 29 2006
WAYS & MEANS CALENDAR

HOUSE FILE 2776
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 655)

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

A BILL FOR

1 An Act exempting from sales and use taxes certain equipment used
2 in transmitting telecommunications services.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2776

1 Section 1. Section 423.3, Code Supplement 2005, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 47A. a. Subject to paragraph "b", the
4 sales price from the sale or rental of central office
5 equipment or transmission equipment primarily used by local
6 exchange carriers and competitive local exchange service
7 providers as defined in section 476.96; by franchised cable
8 television operators, mutual companies, municipal utilities,
9 cooperatives, and companies furnishing communications services
10 which are not subject to rate regulation as provided in
11 chapter 476; by long distance companies as defined in section
12 477.10; or for a commercial mobile radio service as defined in
13 47 C.F.R. § 20.3 in the furnishing of telecommunications
14 services on a commercial basis. For the purposes of this
15 subsection, "central office equipment" means equipment
16 utilized in the initiating, processing, amplifying, switching,
17 or monitoring of telecommunications services. "Transmission
18 equipment" means equipment utilized in the process of sending
19 information from one location to another location. "Central
20 office equipment" and "transmission equipment" also include
21 ancillary equipment and apparatus which support, regulate,
22 control, repair, test, or enable such equipment to accomplish
23 its function.

24 b. The exemption in this subsection shall be phased in by
25 means of tax refunds as follows:

26 (1) If the sale or rental occurs on or after July 1, 2006,
27 through June 30, 2007, one-seventh of the state tax on the
28 sales price shall be refunded.

29 (2) If the sale or rental occurs on or after July 1, 2007,
30 through June 30, 2008, two-sevenths of the state tax on the
31 sales price shall be refunded.

32 (3) If the sale or rental occurs on or after July 1, 2008,
33 through June 30, 2009, three-sevenths of the state tax on the
34 sales price shall be refunded.

35 (4) If the sale or rental occurs on or after July 1, 2009,

1 through June 30, 2010, four-sevenths of the state tax on the
2 sales price shall be refunded.

3 (5) If the sale or rental occurs on or after July 1, 2010,
4 through June 30, 2011, five-sevenths of the state tax on the
5 sales price shall be refunded.

6 (6) If the sale or rental occurs on or after July 1, 2011,
7 through June 30, 2012, six-sevenths of the state tax on the
8 sales price shall be refunded.

9 (7) If the sale or rental occurs on or after July 1, 2012,
10 the sales price is exempt and no payment of tax and subsequent
11 refund are required.

12 c. For sales or rentals occurring on or after July 1,
13 2006, through June 30, 2012, a refund of the tax paid as
14 provided in paragraph "b", subparagraph (1), (2), (3), (4),
15 (5), or (6), must be applied for, not later than six months
16 after the month in which the sale or rental occurred, in the
17 manner and on the forms provided by the department. Refunds
18 shall only be of the state tax collected. Refunds authorized
19 shall accrue interest at the rate in effect under section
20 421.7 from the first day of the second calendar month
21 following the date the refund claim is received by the
22 department.

23 EXPLANATION

24 This bill exempts from sales and use taxes beginning July
25 1, 2012, central office equipment and transmission equipment
26 sold or rented for use in transporting communications services
27 by local exchange carriers, competitive local exchange service
28 providers, certain franchised cable television operators, SS
29 mutual companies, cooperatives, and municipal utilities not
30 subject to rate regulation, long distance companies, and
31 commercial mobile radio services. From July 1, 2006, until
32 June 30, 2012, the taxes on such equipment are paid but a SS
33 refund may be applied for. The amount of the refund is one-
34 seventh of the tax for sales or rentals occurring in FY 2006-
35 2007. The refund increases each succeeding fiscal year by

1 another one-seventh of the tax paid.
2 The bill defines central office equipment as equipment used
3 in initiating, processing, amplifying, switching, or
4 monitoring of telecommunications services and any ancillary
5 equipment. Transmission equipment is defined as equipment
6 utilized in sending information and any ancillary equipment.
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HOUSE FILE 2776

H-8447

1 Amend House File 2776 as follows:
2 1. Page 1, line 10, by striking the word "which"
3 and inserting the following: "that".
4 2. Title page, by striking lines 1 and 2 and
5 inserting the following: "An Act relating to the
6 sales and use tax exemption for central office
7 equipment and transmission equipment used in
8 telecommunications operations."

By STRUYK of Pottawattamie

H-8447 FILED MARCH 30, 2006

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Strumpf, Ch.
Tymeson
Quirk

HSB 655
WAYS AND MEANS

HOUSE FILE _____ 02776
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

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

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TLSB 5894HC 81

mg/cf/24

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2 by adding the following new subsection:

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4 sales price from the sale or rental of central office
5 equipment or transmission equipment primarily used by local
6 exchange carriers and competitive local exchange service
7 providers as defined in section 476.96; by franchised cable
8 television operators, mutual companies, municipal utilities,
9 cooperatives, and companies furnishing communications services
10 which are not subject to rate regulation as provided in
11 chapter 476; by long distance companies as defined in section
12 477.10; or for a commercial mobile radio service as defined in
13 47 C.F.R. § 20.3 in the furnishing of telecommunications
14 services on a commercial basis. For the purposes of this
15 subsection, "central office equipment" means equipment
16 utilized in the initiating, processing, amplifying, switching,
17 or monitoring of telecommunications services. "Transmission
18 equipment" means equipment utilized in the process of sending
19 information from one location to another location. "Central
20 office equipment" and "transmission equipment" also include
21 ancillary equipment and apparatus which support, regulate,
22 control, repair, test, or enable such equipment to accomplish
23 its function.

24 b. The exemption in this subsection shall be phased in by
25 means of a reduction in the tax rate as follows:

26 (1) If the sale or rental occurs between July 1, 2006, and
27 June 30, 2007, the rate of tax is four percent of the sales
28 price.

29 (2) If the sale or rental occurs between July 1, 2007, and
30 June 30, 2008, the rate of tax is three percent of the sales
31 price.

32 (3) If the sale or rental occurs between July 1, 2008, and
33 June 30, 2009, the rate of tax is two percent of the sales
34 price.

35 (4) If the sale or rental occurs between July 1, 2009, and

1 June 30, 2010, the rate of tax is one percent of the sales
2 price.

3 (5) If the sale or rental occurs on or after July 1, 2010,
4 the rate of tax is zero percent of the sales price.

5 EXPLANATION

6 This bill exempts from sales and use taxes central office
7 equipment and transmission equipment sold or rented for use in
8 transporting communications services by local exchange
9 carriers, competitive local exchange service providers,
10 certain franchised cable television operators, mutual
11 companies, cooperatives, municipal utilities and other
12 entities not subject to rate regulation, long distance
13 companies, and commercial mobile radio services. However, the
14 exemption is phased in by means of a tax rate reduction over a
15 five-year period beginning July 1, 2006. After June 30, 2010,
16 the equipment sales or rentals will be completely tax exempt.
17 The bill defines central office equipment as equipment used in
18 initiating, processing, amplifying, switching, or monitoring
19 of telecommunications services and any ancillary equipment and
20 transmission equipment as equipment utilized in the process of
21 sending information from one place to another.

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