

Reported Recommending .....  
Ind. Postponed .....  
Passed House .....  
Failed to Pass House .....  
Passed Senate .....  
Failed to Pass Senate .....

**House File 534**

April 9, 1947.  
To Sifting Committee.

By WAYS and MEANS.

## **A BILL FOR**

An Act to impose a retail sales tax upon the proceeds of the sale of cigarettes and beer at retail and repealing present exemptions from sales or use tax on sales of beer, cigarettes, cigarette papers and tubes; the proceeds of such tax to be distributed as provided in this act.

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

1 Section 1. Section four hundred twenty-two point  
2 forty-six (422.46), Code 1946, is hereby amended by striking  
3 the first eight (8) lines of said section.

1. Sec. 2. Section four hundred twenty-two point forty-five  
2 (422.45), Code 1946, is hereby amended by adding as subsection  
3 six (6) the following:

4 "The gross receipts from the sales of oleomargarine on  
5 which a special tax shall have been paid to this state."

6 Also by adding as subsection seven (7):

7 "The gross receipts from the sales of motor vehicle fuel  
8 to be used for highway purposes on which the special tax  
9 is not refunded."

1 Sec. 3. Section four hundred twenty-three point four  
2 (423.4), Code 1946, is hereby amended by striking subsection

3 three (3) and substituting in lieu thereof the following:

4 "3. Motor vehicle fuel and oleomargarine on which the  
5 state now imposes a special tax to the extent of such tax  
6 imposed and paid."

1 Sec. 4. All revenue derived from the tax hereby imposed  
2 under the provisions of this act as collected under the provisions  
3 of Division IV of chapter four hundred twenty-two (422), Code  
4 1946, shall inure to the special tax fund established under the  
5 provisions of section four hundred twenty-two point sixty-two  
6 (422.62), Code 1946.

1 Sec. 5. Any revenue derived under this act under the  
2 provisions of chapter four hundred twenty-three (423), Code  
3 1946, shall inure to the benefit of the general fund of the  
4 state of Iowa as provided by section four hundred twenty-three  
5 point twenty-four (423.24), Code 1946.

1 Sec. 6. The provisions of chapter four hundred twenty-  
2 two (422), Code 1946, and of chapter four hundred twenty-three  
3 (423), Code 1946, relating to sales and use tax shall apply to  
4 all collections made under the provisions of this act.

1 Sec. 7. Section ninety-eight point six (98.6), Code 1946,  
2 is hereby amended by substituting a comma (,) for the period (.)  
3 at the end of subsection four (4) and adding the following:

4 "other than state sales or use tax".

#### EXPLANATION OF H. F. 534

The provisions of this bill would provide for the collection of the regular 2 per cent sales tax on sales of beer and cigarettes in the state of Iowa. The revenue derived from such a change in the law may be estimated at about two million dollars annually. Such a tax would have substantially the same effect in the case of beer as would be attained by doubling the present rate of the state wholesale barrel tax. In the case of cigarettes

the amount of revenue which might be anticipated would be not less than \$600,000 a year, based on normal sales.

Enactment of such a tax, however, would result in a very considerable increase in state tax commission collections of retail sales tax, due to the fact that under the present law there is a very considerable amount of evasion and loss due to improper deductions claimed by state retailers of beer and cigarettes from their total gross receipts. **It is very difficult under the present law to determine by audit what proportion of sales of a retailer may properly be deductible when a very large volume of business is done in beer and cigarettes.**