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Passed on File. *House & Senate 2/28*

**Senate File 374**  
By MAIN (Worthington).

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

## A BILL FOR

An Act relating to valuation of stocks of merchandise of retail merchants for taxation.

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

1 Section 1. Section four hundred twenty-eight point seventeen  
2 (428.17), Code 1962, is hereby amended by adding thereto the  
3 following:

4 "All retail merchants as included in, and defined by, the pro-  
5 visions of this Act shall be assessed on their stock of merchan-  
6 dise under the provisions of this Act.

7 1. A retail merchant is defined as a merchant selling goods  
8 and merchandise at retail on which a retail sales tax is imposed  
9 by chapter four hundred twenty-two (422), Code 1962, or a mer-  
10 chant selling goods and merchandise which are exempted by law  
11 from the sales tax. If a merchant be a manufacturer, wholesaler,  
12 processor or fabricator, the merchandise of such merchant shall  
13 not be subject to the provisions of this Act with respect to such  
14 manufacture, processing, fabrication, or wholesale activity only.  
15 If a merchant engages in sale of merchandise at retail in addition  
16 to carrying on activities as a manufacturer, processor, fabri-  
17 cator, or wholesaler as herein defined, then only such merchandise  
18 as is properly assigned for sale, or is sold, at retail shall be  
19 subject to the provisions of this Act, provided that this Act  
20 shall not be construed to in any way interfere with the operation

21 of section three hundred twenty-one point one hundred thirty  
22 (321.130), Code 1962, relating to registered vehicles, or section  
23 four hundred twenty-eight point thirty-five (428.35) of the Code  
24 relating to grain.

25 2. The 'gross sales of merchandise' shall be the sum of all  
26 sales of merchandise only, accomplished during the year or ac-  
27 counting period.

28 3. 'Opening inventory' is defined as the cost value of mer-  
29 chandise on hand at the beginning of the year or as otherwise  
30 shown as the closing inventory for the preceding year, whichever  
31 is less.

32 4. The cost of 'merchandise purchased during the year' shall  
33 be the cost of such merchandise charged by the supplier thereof  
34 less all discounts realized in settlement of such charges.

35 5. The value of 'closing inventory' shall be the cost of such  
36 merchandise at time of purchase as defined in subsection four  
37 (4) hereof, less any allowable reduction in value attributable  
38 to obsolescence, depletion, or other factors reflecting acqui-  
39 sition value.

40 6. The total 'annual active inventory' shall be determined  
41 by subtracting the value of the closing inventory from the sum of  
42 the value of the opening inventory and the cost of goods pur-  
43 chased during the year.

44 7. 'Gross profits' shall be determined by subtracting the  
45 total annual active inventory from the gross sale of merchandise.

46 8. The 'percentage of gross profit' shall be determined by  
47 dividing the gross profit by the gross sales of merchandise.

48 9. 'Year' shall be defined as an accounting period of twelve  
49 (12) months ending next preceding or the end of the calendar year

50 next preceding the year for which the assessment is determined.

51 10. 'Inventory level' shall be defined as the computed aver-  
52 age of inventory of merchandise determined in the following  
53 manner: the sum of the average of all inventories taken in the  
54 four (4) separate calendar quarters of the year divided by four  
55 (4) shall be taken and considered to be the level of inventory,  
56 except that in cases where inventories are not taken in each  
57 calendar quarter of the year level of inventory may be determined  
58 by the assessor in accordance with section four hundred twenty-  
59 eight point seventeen (428.17).

60 11. 'Stock turnover' shall be defined as the number of times  
61 the annual active inventory is divisible by the inventory level.

62 The assessed value of such stocks of merchandise for the  
63 purpose of taxation shall be determined as follows:

64 The product of one-third (1/3) of the total annual active  
65 inventory and the percentage of gross profit shall constitute the  
66 assessed valuation of such stocks of merchandise for purposes of  
67 taxation, provided, however, that if such retail merchant shall  
68 show a stock turnover of four (4) or more times per year the  
69 following scale of adjustment of the fractional portions of the  
70 annual active inventory to be multiplied by the percent of gross  
71 profit shall be used in determining assessed valuation of such  
72 stocks for purposes of taxation:

73	Turnover numbering	but less	the fraction
74	as many as:	than:	shall be:
75	4	7	1/4
76	7	10	1/5
77	10	13	1/6
78	13	16	1/7

79	16	19	1/8
80	19	22	1/9
81	22	25	1/10
82	25	28	1/11
83	28	31	1/12
84	31	34	1/13
85	34	37	1/14
86	37	40	1/15
87	40	43	1/16
88	43	46	1/17
89	46	49	1/18
90	49	52	1/20

91 and for turnovers in excess of fifty-two (52) the denominator of  
92 the fraction shall be increased by one (1) for each three (3)  
93 additional turnovers of inventory.

94 A showing of stock turnovers may be had by a showing of the  
95 books and records of such merchant relating to inventory level  
96 and a showing of the number of times the annual active inventory  
97 is divisible by the inventory level.

98 For purposes of assessment each taxpayer shall provide the  
99 assessor of the taxing district or districts in which his retail  
100 enterprise or enterprises may be located with a statement certi-  
101 fying the total sales of merchandise accomplished within the  
102 taxing district or districts, the value of his opening inventory,  
103 the cost of merchandise purchased during the year, and the value  
104 of his closing inventory. Such certification shall declare that  
105 the figures thus submitted are the exact figures which are sub-  
106 mitted on this state income tax report for the year next preceding

107 the year in which such certification is made.  
108 The tax commission shall, upon request of any assessor with  
109 respect to any merchant, as defined herein, operating a retail  
110 unit within such taxing district, certify to such assessor the  
111 exact figures referred to in section one (1) of this Act, as shown  
112 upon such merchant's state income tax report for any year with  
113 respect to which such assessor requests such information, not-  
114 withstanding the provisions of section four hundred twenty-two  
115 point sixty-five (422.65) of the Code.

116 When a merchant, as defined herein, operates an enterprise  
117 involving retail outlets in more than one (1) taxing district,  
118 and uses a central accounting system which includes the records  
119 of more than one (1) retail outlet, then such merchant shall  
120 certify to each assessor of the several taxing districts all of  
121 the figures required by this section. He shall further certify  
122 to each assessor the proportionate share of the total gross  
123 sales accomplished by each retail outlet located in the taxing  
124 district of each assessor. Such assessor shall determine the  
125 assessment of inventory for taxation applied to such separate  
126 outlet by taking the same proportion of the total assessed value  
127 for such merchant as the total sales of such outlet bears to  
128 the total sales of the entire enterprise."

1 Sec. 2. Section four hundred forty-one point twenty-one  
2 (441.21), Code 1962, is hereby amended by adding thereto the  
3 following:

4 "This section shall not apply with respect to assessed value  
5 of merchandise inventories of retail merchants as defined by  
6 this Act."

1     Sec. 3. If any merchant as defined herein fails to provide  
2 the assessor or assessors with the information required under  
3 section one (1) of this Act, then the assessor or assessors shall  
4 determine the assessed valuation of the inventory of such mer-  
5 chant from information provided by the tax commission in accord-  
6 ance with section one (1) of this Act, and may add thereto an  
7 additional assessment value equal to fifty (50) percent of the  
8 assessment value as determined hereinunder; and if the valuation  
9 of such inventory for taxation be changed by any board of review,  
10 or any appeal therefrom, a like penalty shall be added to the  
11 valuation thus fixed.