

MAR 7 2001

WAYS AND MEANS

HOUSE FILE 545  
BY HOFFMAN

**WITHDRAWN**  
1-15-02

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act exempting irrigation equipment from sales and use taxes,  
2 providing limited refunds, and including effective and  
3 retroactive applicability date provisions.

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

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HF 545

1 Section 1. Section 422.45, Code 2001, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 26A. The gross receipts from the sale or  
4 rental of irrigation equipment, whether installed above or  
5 below ground, to a contractor or farmer if the equipment will  
6 be primarily used in agricultural operations.

7 Sec. 2. REFUNDS. Refunds of taxes, interest, or penalties  
8 which arise from claims resulting from the enactment of  
9 section 422.45, subsection 26A, in this Act, for sales  
10 occurring between April 1, 1995, and the effective date of  
11 this Act, shall be limited to twenty-five thousand dollars in  
12 the aggregate and shall not be allowed unless refund claims  
13 are filed prior to October 1, 2001, notwithstanding any other  
14 provision of law. If the amount of claims totals more than  
15 twenty-five thousand dollars in the aggregate, the department  
16 of revenue and finance shall prorate the twenty-five thousand  
17 dollars among all claimants in relation to the amounts of the  
18 claimants' valid claims.

19 Sec. 3. EFFECTIVE DATE AND RETROACTIVE APPLICABILITY  
20 PROVISION. This Act, being deemed of immediate importance,  
21 takes effect upon enactment and applies retroactively to April  
22 1, 1995.

23 EXPLANATION

24 The bill exempts irrigation equipment from sales and use  
25 taxes when purchased by a contractor or farmer if the  
26 equipment will be primarily used in agricultural operations.  
27 The bill takes effect upon enactment and applies retroactively  
28 to April 1, 1995. Because of the retroactive application, any  
29 claims for refunds of taxes paid are limited to \$25,000 in the  
30 aggregate.

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**HOUSE FILE 545  
FISCAL NOTE**

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A fiscal note for **House File 545** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 545 exempts above and below ground irrigation equipment used in agricultural production from the State sales tax and any local option sales tax. The Bill applies retroactively to April 1, 1995. A refund provision is included that would allow up to \$25,000 in total refunds to be pro rated to all persons applying for the refund of previously-paid taxes.

**ASSUMPTIONS**

1. A total of \$950,000 is expended on agricultural irrigation equipment in Iowa each year. Of this amount, one-half is for above ground equipment and one-half is for below ground.
2. Above ground equipment is already exempt from sales tax under Section 422.45(42), Code of Iowa.
3. Refund requests for past taxes will meet or exceed the \$25,000 in total refunds available. The refunds will be paid in FY 2002.

**FISCAL IMPACT**

Extending the sales tax exemption to below ground irrigation equipment would reduce FY 2002 net General Fund revenues by \$49,000 (\$25,000 in tax refunds and \$24,000 in reduced tax receipts). In succeeding fiscal years, the annual impact would be \$24,000. Since the Bill would be effective upon enactment, there could be a small impact on FY 2001.

The Bill would also have a minor negative impact on local option sales tax receipts.

**SOURCES**

Department of Revenue and Finance  
Iowa State University  
1998 Farm and Ranch Irrigation Survey  
1999 Agriculture Statistics

(LSB 2902HH, JWR)

FILED APRIL 9, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR