**Vote “Yes” on HF 2443**

Sales and Use Tax Exemption for Supplies used in the Manufacturing Process

# Background:

The Iowa House in 2013 passed HF 634 unanimously. A provision in the language allowed consumable supplies used in manufacturing to be exempt from sales and use tax. The issue has been a point of protest between the Iowa Department of Revenue and taxpayers for many years. The provision sought to clarify the definition of replacement parts and include supplies consumed during the manufacturing process as exempt from sales and use tax. This year’s bill, HF 2443 recently passed the Iowa House with broad bipartisan support by an 81-17 margin.

**HF 2443-Why the language is needed:**

* Good tax policy: Iowa manufacturers should not be double-taxed. Consumable supplies are inputs into the manufacturing process and the output is taxed
* Clarifies the definition of replacement parts and supplies for machinery and equipment sales and use tax exemptions
* Eliminates a gray area between the Department of Revenue and taxpayers as it relates to what is/is not taxable
* Supports Iowa companies
* Allows manufacturers who pay good wages and benefits to invest in equipment and employees
* Coupled with other investments to provide manufacturers with a skilled workforce, this effort will help ensure employers will be in a position to more broadly utilize the developing talent pool
* Result of 10 years of study by the statewide appointed Industrial Processing Study Committee

**Groups Supporting HF 2443:**

Iowa Association of Business and Industry (ABI), Iowa Taxpayers Association (ITA), Iowa Chamber Alliance, Greater Des Moines Partnership, Master Builders of Iowa, 3M, ALCOA, Archer Daniels Midland (ADM), Cargill, Lennox International, Casey’s, John Deere, Novartis, SSAB/IPSCO Steel, Iowa Recycling Association