APPENDIX E
September 17, 2019 Meeting Minutes
1:00, Room 430, Hoover State Office Building

The Taxation and Exemption of Computers Task Force met at 1:00 pm on September 17, 2019 in Room 430 of the Hoover State Office Building, Des Moines, Iowa. The meeting concluded around 2:45 pm. A quorum was present.

The meeting was called to order by Amy Harris, the Administrator of the Research and Policy Division with the Department of Revenue serving as the Director's designee as the chairperson of the Task Force. She thanked members for attending to address this important tax administration issue. She then introduced a change in membership of the Task Force with the addition of Tim Reilly in his new role of Policy Director for Sales and Excise Tax at the Department of Revenue.

Members and observers introduced themselves – those attending included:
Amy Rehder Harris, Research and Policy Division Administrator, Department of Revenue (Chair)
Tim Reilly, Policy Director for Sales and Excise Tax & Legislative Liaison, Department of Revenue
Alana Stamas, Legal Services and Appeals Division Administrator, Department of Revenue
Marsha Peterson, Compliance Services Bureau Chief, Tax Management Division, Department of Revenue
Matthew Gillespie, Assistant Attorney General, Revenue Division, Office of the Attorney General of Iowa
John Bartlett, Tax Manager, Precision Inc.
Nicole Crain, Senior Vice President, Public Policy, Association of Business and Industry
Todd Hendricks, Senior Director, RSM US LLP
Tom Sands, President/CEO, Iowa Taxpayers Association
Mike Rubino, Director State Tax – Tax Department, Deere & Company World Headquarters
Diane Hudson, Tax Manager at Collins Aerospace
Rich Pullen, Director Tax Compliance & Advocacy, Principal
Sharon Presnall, Senior Vice President Government Relations/Compliance, Iowa Bankers Association

Amy reviewed the charge of the Task Force which is to review the definition of "computer" as used throughout the portions of the Iowa Code and the Iowa Administrative Code; possibly recommend modifications to the current definition of "computer" to the General Assembly by January 1, 2020.

Tim shared Department information gathered regarding the definition of computer used by other states.

Tom and Nicole shared some thoughts on the discussions the business members had since the last meeting which included the pros and cons of creating a list of items that fit the exemption. During those discussions, a lot of issues that were discussed at the first meeting came up again. A discussion of creating a list of items that fit the exemption resulted in concerns that excluding an item from the list raises more questions.

With the current Code definition aligning with Streamlined, it appears that deviation in the definition as included in the rules might be creating the confusion for taxpayers and the Department, so is the best proposal to align the Code and rules? Any attempt to more tightly define a computer now could quickly become stale as the idea of what is a computer now might not match up with what we believe a computer is in a few years.

Alana noted it is the Department's goal to keep the rules updated; as such, can examples, if included in the rules, be expanded as technology changes thus keeping up with technology? Pointed to Rhode Island and Indiana lists as potential options for Iowa. Representative examples could be included, those items currently in "gray" areas, to serve as guideposts for understanding the state of the rules.

Even if we create lists – it is still imperative that definitions in rules must match Code.

The group then noted two extremes as paths forward:
1. Repeal conflicting rules without any lists and just rely on the basic language in the Code, then taxpayers and the Department argue over other items
2. OR attempt to create all-inclusive lists in rules

Discussion then turned to finding a solution somewhere between those extremes. Can we have a list of helpful examples to guide audits and taxpayers? A concern with was raised with having a partial list – if an item is not on the list, will the Department assumption be that the item is not exempt?

A list needs guiding principles to help create a better understanding of why things are on the list, need to address the gray areas with the items in the list. The goal of members is to create clarity.

Some guiding principles proposed were:
1. The item is a business input, i.e., who is the end user of the product (customer or business)
2. Does the item accept information?
3. Does the item manipulate information?

Discussion then turned to peripherals, where it was pointed out that the exemption for a peripheral is not in Code, only in rule. Maybe one proposal of the Task Force would be to add that item to the Code, assuming the goal is to maintain the level of exemption in place today.

If there are items that Department and business members cannot agree on, those can be part of the report for the Legislature to decide about their exemption status. The group had a lengthy discussion of whether certain items are more properly considered a "computer" or "computerized" without being a computer on its own.

One key goal is to get Iowa back in compliance with Streamlined – update the rules that currently differ from stated definition in the Code.

The Task Force agreed it would send a strong signal to the Legislature if the group agrees on a proposed change to the Code.

Amy closed the meeting with the following proposal for future meetings:
> Third meeting – (October) continue discussing group recommendations for Legislature, dates were discussed with an agreement the last week of the month was likely the best for all members.
> Fourth meeting – (November) finalize recommendations for Legislature

The meeting was adjourned.