

APPENDIX D

July 18, 2019 Meeting Minutes

1:00, Room A7, Hoover State Office Building

The Taxation and Exemption of Computers Task Force met at 1:00 pm on July 18, 2019 in Room 7 on the A Level of the Hoover State Office Building, Des Moines, Iowa. The meeting concluded around 2:30 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.

Members and observers introduced themselves – those attending included:

Amy Rehder Harris, Research and Policy Division Administrator, Department of Revenue (Chair)

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 Rockwell Collins

Rich Pullen, Director Tax Compliance & Advocacy, Principal

Mary Mosiman, Deputy Director, Department of Revenue

Tim Reilly, Attorney & Legislative Liaison, Department of Revenue

Joe McEniry, Senior Legal Counsel, Legislative Services Agency

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. Members then provided thoughts on the current definitions of computer. Including a discussion of the need for the State to update the Iowa definitions to meet the national Streamlined Sales and Use Tax Agreement. That agreement includes the following definition of a computer: "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

Alana listed products that some taxpayers claim to be computers and thus exempt based on the current definitions where the Department is not in agreement, such as security cameras, VOIP telephone, smartphone, computer controlled signage, smart TV, DVR, tablet, GPS, power supply, bar code scanners. It is not the Department's intention that any recommendation by the Task Force include or exclude such devices, only that it clarifies the status for future compliance to provide clarity to the Department and taxpayers.

A suggestion was made that one proposal could be to attempt to address the future changes by proposing a process for the Legislature to update the definition of computer, such as adding a list that

could be modified on a regular basis, possibly through the establishment of a board similar to the Property Tax Replacement Task Force to suggest annual changes. Others suggested that was taking away the ability of the Department to write rules and administer the tax code.

Additional discussion was held among members about what might guide that clarity, with members noting that there will always be some gray because it is not possible to predict the future of what the market for computers will produce. One proposal for clarity was to add a list in the Code or rules of what items are considered exempt. Another was to alter the definition to be a functional definition. A third was to add a dollar threshold below which every item would be considered exempt. Another proposal was to add a definition of a computer peripheral in the Code as that seems to be what most items at issue are better defined as.

Members then reviewed the issues behind the creation of the Task Force, wanting Department rules in compliance with the Streamlined definition, where an update is required, and to provide clarity in the rules for ease of administration of the exemption. Members also expressed a desire to maintain broadness in the definition to ensure no increase in taxation on businesses.

The members agreed to complete the following tasks for the next meeting. Members representing businesses will come with a proposed definitions to clarify the difference between computers and peripherals. Department staff will pull together definitions used by other states or common definitions of computer that are identified.

Amy closed the meeting with the following proposal for future meetings:

- Second meeting (mid-September) – share additional industry input about computers definition and start discussing recommendations
- Third meeting – (October) continue discussing group recommendations for Legislature
- Fourth meeting – (November) finalize recommendations for Legislature

The meeting was adjourned.