



[HF 207](#) – Wastewater Infrastructure, Taxation (LSB1203HV)
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Fiscal Note Version – New

Description

[House File 207](#) establishes a new property tax exemption for property owned or operated by a public utility as defined in Iowa Code section [476.1](#)(3)(d) where the property is used to furnish sanitary or storm water drainage for compensation through a piped collection system.

The Bill makes Iowa Code section [25B.7](#) (State funding of property tax credits and exemptions) inapplicable to the new property tax exemption.

The Bill takes effect upon enactment and applies retroactively to assessment year 2023 and after.

Background

The Department of Revenue reports that a private, rate-regulated water utility company recently purchased an existing municipal wastewater system. As a municipal system, the property involved was exempt from property tax. As a system owned by a private company, the property is subject to property tax. With acquisition occurring after January 1, 2022, but before January 1, 2023, the system would first become taxable for assessment year 2023 under existing law.

Assumptions

- The wastewater system situation described above is assumed to be the only property fitting the exemption requirements specified in the Bill at this time.
- The assessed value of the wastewater property is not known. The purchase price of the property was \$2.0 million. This purchase price is used as the assessed value for property tax fiscal impact calculations.
- Property taxes owed for assessment year 2023 are due in the fall of 2024 and the spring of 2025 (FY 2025).
- The consolidated property tax rate for the particular property is assumed to equal \$33.85 per \$1,000 of taxed value. The State basic school levy equals \$5.40 of the \$33.85 consolidated rate.

Fiscal Impact

Creating a new property tax exemption for a privately owned wastewater system will reduce the annual property taxes owed by an estimated \$68,000, beginning with FY 2025. The reduction in taxes owed will increase the State standing General Fund appropriation for school aid by an estimated \$11,000 and reduce local government property tax revenue by an estimated \$57,000.

If enacted, the property tax exemption will also apply to any future purchases of existing wastewater facilities by privately owned public wastewater utility companies.

Sources

Department of Revenue
Department of Management property tax rate files
Legislative Services Agency analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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