



[HF 683](#) – Grain Handling Excise Tax, Repeal (LSB2500HV)
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Fiscal Note Version – New

Description

[House File 683](#) makes the grain handling tax (Iowa Code section [428.35](#)) inapplicable to grain handled on or after January 1, 2023, and repeals the tax effective July 1, 2025. The Bill further provides that grain handling tax remitted for grain handled during calendar year (CY) 2022 shall be deposited into the existing Grain Depositors and Sellers Indemnity Fund (Grain Indemnity Fund).

Iowa Code section [25B.7](#) (State funding of property tax credits and exemptions) is made inapplicable to this tax change. The Bill is effective upon enactment and applies retroactively to January 1, 2023, for grain handled during 2022 and after.

Background — Grain Handling Tax

The grain handling tax was enacted in 1947 Iowa Acts, chapter [236](#) (Excise Tax on Grain Handling Act). That Act initiated a one-fourth mill (\$0.25 per 1,000 bushels) tax on corn, soybeans, and various other grains that are usually stored in grain elevators. The term “handling” refers to the receiving of grain at an elevator, processor, or similar facility for storage, sale, or processing. The tax rate and tax basis are unchanged since original enactment. The 1947 Act also exempted grain held at elevators from the personal property tax and added grain to the list of items that are exempt from the property tax.

The grain handling tax is paid to the local property tax system and distributed to the same local governments, such as cities, counties, and schools, in the same proportions as the tax on real property is distributed.

Background — Grain Indemnity Fund

The [Grain Indemnity Fund](#) was originally enacted in 1986 Iowa Acts, chapter [1152](#) (Grain Indemnity Fund Act). The Fund is established in Iowa Code chapter [203D](#). The Fund is financed through annual participation and per-bushel fees paid by licensed grain dealers and warehouse operators. The fees are suspended if the balance in the Fund exceeds \$8.0 million at the conclusion of a fiscal year. The fees are reinstated if the assets of the Fund are, less any unencumbered balances or pending or unsettled claims, \$3.0 million or less. As provided in Iowa Code section [203D.5](#), the Iowa Grain Indemnity Fund Board has additional authority to adjust fees when necessary.

The balance in the Fund may be used to pay administrative expenses and grain depositor or seller indemnification claims against the Fund. **Figure 1** provides Grain Indemnity Fund balances, revenues, and expenditures for a three-fiscal-year period (FY 2020 through FY 2022) and for FY 2023 through March 30, 2023. The March 31, 2023, cash balance in the Fund was \$2.4 million.

Figure 1

Grain Indemnity Fund Financials		
FY 2020 Through March 30, 2023		
In Millions		
	FY 2020 Through FY 2022	FY 2023 Through 3/30/23
Beginning Balance	\$ 3,815,358	\$ 3,436,342
Revenues		
Interest	\$ 81,949	\$ 46,317
Permits and Fees	47,940	3,700
Total Revenues	\$ 129,889	\$ 50,017
Expenses		
Administration	\$ 14,856	\$ 4,636
Claims	494,049	1,117,263
Total Expenses	\$ 508,905	\$ 1,121,899
Ending Balance	<u>\$ 3,436,342</u>	<u>\$ 2,364,460</u>

Assumptions

- The Department of Revenue reports that the statewide amount of grain handling tax collected for CY 2021 was \$1.1 million. The \$1.1 million is assumed for all future calendar years.
- The tax due on grain handled in CY 2022 is due in the fall of 2023 and the spring of 2024 (FY 2024). The Bill changes the destination of the FY 2024 tax to the Grain Indemnity Fund. This will reduce FY 2024 local government revenue by \$1.1 million and increase Grain Indemnity Tax revenue by the same amount.
- The Bill suspends and then repeals the grain handling tax starting with CY 2023.

Fiscal Impact

The suspension and elimination of the grain handling tax will reduce annual local government revenue by \$1.1 million, beginning with FY 2024. The dedication of FY 2024 grain handling tax to the Grain Indemnity Fund will increase revenue for that Fund by \$1.1 million. Increasing the balance in the Grain Indemnity Fund will decrease the fees owed in the future by licensed grain dealers and warehouse operators, who are required under Iowa Code chapter 203D to finance the operations of the Fund.

Sources

Department of Revenue
State Accounting System

/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.
