

2. The section of this Act relating to a proposal for a study on the transmission of electricity takes effect July 1, 2006.

3. Except as otherwise provided in this section, this Act takes effect January 1, 2007.

Sec. 13. TRANSITION PROVISIONS — APPLICABILITY.

1. The waiting list described in this Act is the waiting list maintained by the Iowa utilities board for applications for eligibility received prior to the effective date of this Act.

2. As of the effective date of this Act, the section of this Act amending section 476C.3, subsection 6, applies to all facilities on the waiting list described by this Act regardless of the date a facility applied for eligibility.

Sec. 14. PROPOSAL FOR TRANSMISSION STUDY. The utilities board shall submit to the government oversight committee by January 1, 2007, a proposal to conduct a study on the transmission of electricity in Iowa. The proposal shall include a description of the content to be studied which shall include examining the reliability and limitations of the primary grid system and the development of additional small wind projects in all regions of the state. The content to be studied shall also include issues related to the security of Iowa's energy supply in the event of a national or local emergency affecting the primary grid system. The proposal shall include a description of the estimated time needed to complete the study, an estimate of the cost to complete the study, and any other information the board deems necessary.

Approved May 30, 2006

CHAPTER 1136

SOY-BASED TRANSFORMER FLUID TAX CREDITS

S.F. 2402

AN ACT relating to state tax benefits for use of soy-based transformer fluid by electric utilities and including applicability date provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. 422.11M SOY-BASED TRANSFORMER FLUID TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a soy-based transformer fluid tax credit allowed under chapter 476D.

This section is repealed December 31, 2008.

Sec. 2. Section 422.33, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 20. The taxes imposed under this division shall be reduced by a soy-based transformer fluid tax credit allowed under chapter 476D.

This subsection is repealed December 31, 2008.

Sec. 3. Section 423.4, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6. A person in possession of a soy-based transformer fluid tax credit

certificate issued pursuant to chapter 476D may apply to the director for refund of the amount of sales or use tax imposed and paid upon purchases made by the applicant.

a. The refunds may be obtained only in the following manner and under the following conditions:

(1) On forms furnished by the department and filed by January 31 after the end of the calendar year in which the tax credit certificate is to be applied, the applicant shall report to the department the total amount of sales and use tax paid during the reporting period on purchases made by the applicant.

(2) The applicant shall separately list the amounts of sales and use tax paid during the reporting period.

(3) If required by the department, the applicant shall prove that the person making the sale has included the amount thereof in the computation of the sales price of such person and that such person has paid the tax levied by this subchapter or subchapter III, based upon such computation of the sales price.

(4) The applicant shall provide the tax credit certificates issued pursuant to chapter 476D to the department with the forms required by this paragraph "a".

b. If satisfied that the foregoing conditions and requirements have been complied with, the director shall refund the amount claimed by the applicant for an amount not greater than the amount of tax credits issued in tax credit certificates pursuant to chapter 476D.

c. This subsection is repealed December 31, 2008.

Sec. 4. NEW SECTION. 437A.17C REIMBURSEMENT FOR SOY-BASED TRANSFORMER FLUID.

A person in possession of a soy-based transformer fluid tax credit certificate issued pursuant to chapter 476D may apply to the director for a reimbursement of the amount of taxes imposed and paid by the person pursuant to this chapter in an amount not more than the person received in soy-based transformer fluid tax credit certificates pursuant to chapter 476D. To obtain the reimbursement, the person shall attach to the return required under section 437A.8 the soy-based transformer fluid tax credit certificates issued to the person pursuant to chapter 476D and provide any other information the director may require. The director shall direct a warrant to be issued to the person for an amount equal to the tax imposed and paid by the person pursuant to this chapter but for not more than the amount of the soy-based transformer fluid tax credit certificates attached to the return.

This section is repealed December 31, 2008.

Sec. 5. NEW SECTION. 476D.1 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Department" means the department of revenue.
2. "Electric utility" means a public utility furnishing electricity as defined in section 476.1, a city utility as defined in section 390.1, and an electric cooperative as defined in section 390.1.
3. "Soy-based transformer fluid" means dielectric fluid that contains at least ninety-eight percent soy-based products.

Sec. 6. NEW SECTION. 476D.2 SOY-BASED TRANSFORMER FLUID TAX CREDIT — LIMIT.

1. An electric utility is eligible to receive a soy-based transformer fluid tax credit which is equal to the costs incurred by the utility during the tax year for the purchase and replacement costs relating to the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. The costs eligible for the credit are limited to those costs meeting all of the following requirements:

- a. The costs were incurred after June 30, 2006, and before January 1, 2008.
- b. The costs were incurred in the first eighteen months of the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid.
- c. The credit for the purchase and replacement of soy-based transformer fluid used in the

transition is limited to two dollars per gallon. The total number of gallons used in the transition shall not exceed twenty thousand gallons per electric utility.

If the electric utility elects to take the soy-based transformer fluid tax credit, the electric utility shall not deduct for Iowa tax purposes any amount of the costs incurred in the transition to using soy-based transformer fluid which is deductible for federal tax purposes.

2. Any credit used under chapter 422, division II or III, which is in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year.

3. An individual may claim the tax credit under chapter 422, division II, allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

4. The total amount of soy-based transformer fluid eligible for a tax credit shall not exceed sixty thousand gallons.

Sec. 7. NEW SECTION. 476D.3 TAX CREDIT CERTIFICATE PROCEDURE.

1. An electric utility may apply to the department for the soy-based transformer fluid tax credit by submitting to the department all of the following:

- a. A completed application in a form prescribed by the department.
- b. A copy of a signed purchase agreement or other agreement to purchase soy-based transformer fluid.
- c. Any other information the department deems necessary.

2. The department shall calculate the amount of the tax credit for which the applicant is eligible and shall issue the tax credit certificate for that amount or notify the applicant in writing of its refusal to do so. An applicant whose application is denied may file an appeal with the department within sixty days from the date of the denial pursuant to the provisions of chapter 17A.

3. Each tax credit certificate shall contain the person's name, address, and tax identification number, the amount of tax credits, the first taxable year the certificate may be used, the type of tax to which the tax credits shall be applied, and any other information required by the department. The tax credit certificate shall only list one type of tax to which the amount of the tax credit may be applied. Once issued by the department, the tax credit certificate shall not be terminated or rescinded.

4. Once a tax credit certificate is issued pursuant to this section, the tax credit may only be claimed against the type of tax reflected on the certificate.

Sec. 8. NEW SECTION. 476D.4 RULES.

The department may adopt rules pursuant to chapter 17A for the administration and enforcement of this chapter.

Sec. 9. NEW SECTION. 476D.5 APPLICABILITY — REPEAL.

1. This chapter applies to tax years ending after June 30, 2006, and beginning before January 1, 2008.
2. This chapter is repealed December 31, 2008.

Approved May 30, 2006