

437A.5 Replacement tax imposed on delivery of natural gas.

1. A replacement delivery tax is imposed on every person who makes a delivery of natural gas to a consumer within this state. The replacement delivery tax imposed by [this section](#) shall be equal to the sum of the following:

a. The number of therms of natural gas delivered to consumers by the taxpayer within each natural gas competitive service area during the tax year multiplied by the natural gas delivery tax rate in effect for each such natural gas competitive service area.

b. Where applicable, and in addition to the tax imposed by paragraph "a", the number of therms of natural gas delivered to consumers by the taxpayer within each natural gas competitive service area during the tax year multiplied by the municipal natural gas transfer replacement tax rate for each such natural gas competitive service area.

c. (1) Notwithstanding paragraphs "a" and "b", a natural gas delivery rate of one and eleven-hundredths of a cent (.0111) per therm of natural gas is imposed on all natural gas delivered to or consumed by a new electric power generating plant for purposes of generating electricity within the state during the tax year. However, if a new electric power generating plant is exempt from a replacement generation tax pursuant to [section 437A.6, subsection 1](#), paragraph "b", the natural gas delivery rate for the municipal service area that the new plant serves shall instead apply for deliveries of natural gas by the municipal gas utility.

(2) The provisions of [subsection 8](#) shall not apply to the therms of natural gas subject to the delivery tax set forth in this paragraph.

(3) If the new electric power generating plant is part of a cogeneration facility or new cogeneration facility, the natural gas delivery rate for that plant shall be the lesser of the natural gas delivery rate established in this paragraph "c" or the rate per therm of natural gas as in effect at the time of the initial natural gas deliveries to the plant for the natural gas competitive service area where the new electric power generating plant is located.

2. If natural gas is consumed in this state, whether such natural gas is purchased or transferred, and the delivery, purchase, or transference of such natural gas is not subject to the tax imposed under [subsection 1](#), a tax is imposed on the consumer at the rates prescribed under [subsection 1](#).

3. Natural gas delivery tax rates shall be calculated by the director for each natural gas competitive service area as follows:

a. The director shall determine the average centrally assessed property tax liability allocated to natural gas service of each taxpayer, other than a municipal utility, principally serving a natural gas competitive service area for the assessment years 1993 through 1997 based on property tax payments made. In the case of a municipal utility, the average centrally assessed property tax liability allocated to natural gas service is the centrally assessed property tax liability of such municipal utility allocated to natural gas service for the 1997 assessment year based on property tax payments made. For purposes of [this subsection](#), taxpayer does not include a pipeline company defined in [section 479A.2](#).

b. The director shall determine for each taxpayer the number of therms of natural gas delivered to consumers which would have been subject to taxation under [this section](#) in calendar year 1998 had [this section](#) been in effect for calendar year 1998.

c. The director shall determine a natural gas delivery tax rate for each natural gas competitive service area by dividing the average centrally assessed property tax liability allocated to natural gas service of the taxpayer principally serving the natural gas competitive service area by the number of therms of natural gas delivered by such taxpayer to consumers in calendar year 1998 which would have been subject to taxation under [this section](#) had such section been in effect for calendar year 1998.

4. Municipal natural gas transfer replacement tax rates shall be calculated annually by the city council of each city located within a natural gas competitive service area served by a municipal utility as of January 1, 1999, by dividing the average annual dollar amount of natural gas-related transfers made pursuant to [section 384.89](#) by the municipal utility serving the natural gas competitive service area, other than those transfers declared exempt from the transfer replacement tax by the city council, plus the municipal transfer replacement tax received by the municipality, if any, during the five immediately preceding calendar years, by the number of therms of natural gas delivered to consumers in the natural gas competitive

service area during the immediately preceding calendar year which were subject to taxation under [this section](#) or which would have been subject to taxation under [this section](#) had it been in effect for such calendar year. The city council on its own motion, or in the case of a municipal utility governed by a board of trustees under [chapter 388](#) upon a resolution of the board of trustees requesting such action, may declare any transfer or part of such transfer to be exempt from the transfer replacement tax under [this section](#). Such rates shall be calculated and reported to the director on or before August 31 of each tax year.

5. A municipal utility taxpayer is entitled to a credit against the municipal natural gas transfer replacement tax equal to the average amount of natural gas-related transfers made by such municipal utility taxpayer under [section 384.89](#), other than those transfers declared exempt from transfer replacement tax by the city council, during the preceding five calendar years.

6. *a.* Notwithstanding [subsection 1](#), the natural gas delivery tax rate applied to therms of natural gas delivered by a taxpayer to utility property and facilities that are placed in service on or after January 1, 1999, and that are owned by or leased to and initially served by such taxpayer shall be the natural gas delivery tax rate in effect for the natural gas competitive service area principally served by such utility property and facilities even though such utility property and facilities may be physically located in another natural gas competitive service area.

b. [This subsection](#) shall not apply to natural gas delivered to or consumed by new electric power generating plants.

7. *a.* Delivery of natural gas to a city from such city's municipal utility is not subject to the replacement delivery tax imposed under [subsection 1](#), paragraph "a", and [subsection 2](#), provided such natural gas is used by the city for the public purposes of the city.

b. [Subsection 2](#) does not apply to natural gas consumed by a person, other than an electric company, natural gas company, electric cooperative, or municipal utility, acquired by means of facilities owned by or leased to such person on January 1, 1999, which were physically attached to pipelines that are not permitted pursuant to [chapter 479](#) and used by such person for the purpose of bypassing the local natural gas company or municipal utility.

c. [Subsection 1](#) does not apply to natural gas which is delivered, by a pipeline that is not permitted pursuant to [chapter 479](#), into a facility owned by or leased to a person, other than an electric company, natural gas company, electric cooperative, or municipal utility, if the person who consumes the gas uses the gas for the purpose of bypassing the local natural gas company or municipal utility, regardless of whether such facility existed on January 1, 1999.

8. If, for any tax year after calendar year 1998, the total taxable therms of natural gas required to be reported by taxpayers pursuant to [section 437A.8, subsection 1](#), paragraphs "a" and "b", with respect to any natural gas competitive service area increases or decreases by more than the threshold percentage from the average of the base year amounts for that natural gas competitive service area during the immediately preceding five calendar years, the tax rate imposed under [subsection 1](#), paragraph "a", and [subsection 2](#) for that tax year shall be recalculated by the director for that natural gas competitive service area so that the total of the replacement natural gas delivery taxes required to be reported pursuant to [section 437A.8, subsection 1](#), paragraph "e", for that natural gas competitive service area with respect to the tax imposed under [subsection 1](#), paragraph "a", and [subsection 2](#) shall be as follows:

a. If the number of therms of natural gas required to be reported increased by more than the threshold percentage, one hundred two percent of such taxes required to be reported by taxpayers for that natural gas competitive service area for the immediately preceding tax year.

b. If the number of therms of natural gas required to be reported decreased by more than the threshold percentage, ninety-eight percent of such taxes required to be reported by taxpayers for that natural gas competitive service area for the immediately preceding tax year.

c. (1) For purposes of paragraphs "a" and "b", in computing the tax rate under [subsection 1](#), paragraph "a", and [subsection 2](#) for calendar year 1999, the director shall use the average centrally assessed property tax liability allocated to natural gas service computed for the natural gas competitive service area pursuant to [subsection 3](#), paragraph "a", in lieu of the

taxes required to be reported for that natural gas competitive service area for the immediately preceding tax year.

(2) The threshold percentage shall be determined annually and shall be eight percent for any natural gas competitive service area in which the average of the base year amounts for the preceding five calendar years does not exceed two hundred fifty million therms, and ten percent for all other natural gas competitive service areas.

(3) Recalculation of a natural gas delivery tax rate, if required, shall be made and the new rate published in the Iowa administrative bulletin by the director by no later than May 31 following the tax year. The director shall adjust the tentative replacement tax imposed by [subsection 1](#), paragraph “a”, and [subsection 2](#) required to be shown on any affected taxpayer’s return pursuant to [section 437A.8, subsection 1](#), paragraph “e”, to reflect the adjusted delivery tax rate for the tax year, and report such adjustment to the affected taxpayer on or before June 30 following the tax year. The new natural gas delivery tax rate shall apply prospectively, until such time as further adjustment is required.

(4) For purposes of [this subsection](#), “base year amount” means for calendar years prior to tax year 1999, the sum of the therms of natural gas delivered to consumers within a natural gas competitive service area by the taxpayer principally serving such natural gas competitive service area which would have been subject to taxation under [this section](#) had [this section](#) been in effect for those years; and for tax years after calendar year 1998, the taxable therms of natural gas required to be reported by taxpayers pursuant to [section 437A.8, subsection 1](#), paragraphs “a” and “b”, with respect to any natural gas competitive service area.

9. The natural gas delivery tax rate in effect for each natural gas competitive service area shall be published by the director in the Iowa administrative bulletin on or before November 30, 1999, and annually after that date, during the last quarter of the tax year.

[98 Acts, ch 1194, §6, 40; 2000 Acts, ch 1114, §3, 4, 17, 18; 2003 Acts, ch 106, §7, 8, 15; 2010 Acts, ch 1161, §4, 11; 2011 Acts, ch 25, §93, 143](#)

Referred to in [§437A.3, §437A.8, §437A.17A](#)

2010 amendment to subsection 1, paragraph c, subparagraph (3), applies retroactively to tax years beginning on or after January 1, 2010; 2010 Acts, ch 1161, §11