

437B.3 Replacement tax imposed on delivery of water.

1. A replacement delivery tax is imposed on each water utility that delivers water to a consumer within the water utility's service area. The replacement delivery tax imposed by [this section](#) is equal to the number of gallons of water delivered to consumers in the water utility's service area by the taxpayer during the tax year multiplied by the replacement delivery tax rate in effect for the service area.

2. The replacement delivery tax rate for each service area shall be calculated by the director as follows:

a. The director shall determine the centrally assessed property tax liability allocated to water delivery for those water utilities operating within the service area for the assessment year 2011 based on property tax amounts due and payable as the result of that assessment year.

b. The director shall determine the number of gallons of water delivered to consumers in the service area which would have been subject to taxation under [this section](#) in calendar year 2011, had such section been in effect for calendar year 2011.

c. The director shall determine a replacement delivery tax rate for each service area by dividing the centrally assessed property tax liability, as determined in paragraph "a", by the number of gallons of water delivered, as specified in paragraph "b".

3. a. If for any tax year after calendar year 2012, the total number of gallons of water required to be reported by a water utility pursuant to [section 437B.4, subsection 1](#), paragraph "a", increases or decreases by more than the threshold percentage from the average of the base year amounts for that water utility for the immediately preceding five calendar years, the replacement tax rate imposed under [subsection 1](#) for that tax year shall be recalculated by the director for that water utility so that the total of the tentative replacement delivery taxes required to be reported pursuant to [section 437B.4, subsection 1](#), paragraph "b", for that water utility with respect to the tax imposed under [subsection 1](#), shall be as follows:

(1) If the number of gallons of water required to be reported increased by more than the threshold percentage, one hundred two percent of such taxes required to be reported by the water utility for that water utility for the immediately preceding tax year.

(2) If the number of gallons of water required to be reported decreased by more than the threshold percentage, ninety-eight percent of such taxes required to be reported by the water utility for that water utility for the immediately preceding tax year.

b. For purposes of paragraph "a", subparagraphs (1) and (2), in computing the tax rate under [subsection 1](#), for tax year 2013, the director shall use the centrally assessed property tax liability allocated to water sales computed pursuant to [subsection 2](#), paragraph "a", or the water utility's centrally assessed property tax liability for the assessment year 2010, whichever is greater, in lieu of the taxes required to be reported for that water utility for the immediately preceding tax year. In addition, notwithstanding the provisions of [this section](#) to the contrary, for tax years 2013, 2014, and 2015, if the total amount of replacement delivery taxes imposed on the water utility in any of those tax years is less than the utility's centrally assessed property tax liability for the assessment year 2010, the replacement tax rate imposed under [subsection 1](#) for that tax year shall be recalculated by the director so that the total amount of replacement delivery taxes imposed on the water utility for such tax year equals the water utility's centrally assessed property tax liability for the assessment year 2010.

c. For purposes of [this section](#), "base year amount" means for calendar years prior to tax year 2013, the number of gallons of water delivered to consumers by the water utility which would have been subject to taxation under [this section](#) had [this section](#) been in effect for such calendar year, and for tax years after calendar year 2012, the number of gallons of water required to be reported by the water utility pursuant to [section 437B.4, subsection 1](#).

d. The threshold percentage shall be five percent.

4. The replacement delivery tax rate in effect for each service area shall be published by the director in the Iowa administrative bulletin on or before May 31 of each year.

5. If recalculation of the replacement delivery tax rate is required pursuant to [subsection 3](#), the new rate shall be published in the Iowa administrative bulletin by the director by no later than May 31 following the end of the tax year. The director shall adjust the tentative

replacement tax imposed by [subsection 1](#) and required to be shown on any affected water utility's return pursuant to [section 437B.4, subsection 1](#), paragraph "b", to reflect the adjusted replacement delivery tax rate for the tax year, and report such adjustment to the affected water utility on or before June 30 following the end of the tax year. The new replacement delivery tax rate shall apply prospectively, until such time as further adjustment is required.

6. For a service area established as the result of the formation or organization of a new water utility on or after January 1, 2013, the director shall to the extent possible determine a replacement delivery tax rate for the new service area using the procedures of [this section](#) and for the information for the year that the water utility was first under the jurisdiction of the utilities commission.

[2013 Acts, ch 94, §12, 35, 36; 2024 Acts, ch 1170, §369](#)

Referred to in [§437B.2, 437B.4](#)