



SF 132 – Wastewater Infrastructure, Taxation (LSB1203SS)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 132 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 change applies to assessment year (AY) 2024 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 AY 2023 under current law and under the Bill.

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.
- The exemption first applies to property taxes due for AY 2024 (taxes due in the fall of 2025 and the spring of 2026).
- 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 2026. 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.

The provisions of Iowa Code section **25B.7** (State funding of property tax credits and exemptions) may require that the State fully fund the \$57,000 reduction in local property tax revenue that results from this new property tax exemption.

The property tax exemption will also apply to any future acquisitions 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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