

Legislative Fiscal Bureau

Fiscal Note

SF 275 - Utility Taxation (LSB 1215 SV)

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Fiscal Note Version — New

Description

Senate File 275 makes changes to the utility replacement tax, which is paid by utilities instead of property tax. The Bill makes adjustments that affect taxes of an out-of-state utility and changes the gas delivery tax charged to suppliers of natural gas to new gas-fired electric plants.

Assumptions

1. The increases to the transmission tax paid by the out-of-state utility affects the levying authorities in four counties – Chickasaw, Fayette, Howard, and Mitchell – and is consistent with the original intent of utility property tax replacement legislation.
2. Delivery of natural gas to new gas-fired electric plants will be charged a statewide natural gas delivery tax rate of 0.0111 cents per therm.
3. The current threshold recalculation for certain increases and decreases in total tax revenues from delivered natural gas (plus or minus 2.0%) does not apply to deliveries to new gas-fired electricity generating plants.
4. A typical new 700 megawatt gas-fired electricity generating plant would have a estimated taxable valuation of \$109.0 million under this Bill and annually would generate an estimated \$3.5 million of additional gas delivery excise taxes for local government and \$589,000 for school aid through the uniform levy, thus reducing the General Fund appropriation by a comparable amount.
5. There are four gas-fired electric plants in planning stages.

Fiscal Impact

The increase in Senate File 275 to the transmission tax paid by an out-of-state utilities will increase local government revenues by an estimated \$108,000 annually.

The change affecting new gas-fired electric plants will begin generating revenues to offset school aid and for local government after a new plant becomes operational. It cannot be determined when new gas-fired electric plants will begin buying natural gas and how much new revenue will be generated.

Sources

Department of Management
Utilities Division, Department of Commerce
Office of the Attorney General

/s/ Dennis C Prouty

March 11, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
