

FEB 21 1995
WAYS & MEANS CALENDAR

HOUSE FILE 190
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 117)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a property tax exemption for property used for
2 the recycling of ferrous and nonferrous metal, wood, glass,
3 tires, scrap tires, and shredded tires, and for property used
4 to manufacture new products composed primarily of recycled
5 material.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HOUSE FILE 190

H-3191

1 Amend House File 190 as follows:
2 1. Page 2, lines 13 and 14, by striking the words
3 "this subsection," and inserting the following: "the
4 exemption for recycling property,".

By BERNAU of Story
HALVORSON of Clayton

H-3191 FILED FEBRUARY 23, 1995

HF 190

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1 Section 1. Section 427.1, subsection 32, unnumbered
2 paragraph 2, Code 1995, is amended to read as follows:

3 This exemption shall apply to new installations of
4 pollution-control or recycling property beginning on January 1
5 after the construction or installation of the property is
6 completed. This exemption shall apply beginning on January 1,
7 1975, to existing pollution-control property if its
8 construction or installation was completed after September 23,
9 1970, and this exemption shall apply beginning January 1,
10 1994, to recycling property used in the conversion of waste
11 plastic, wastepaper products, or waste paperboard, and this
12 exemption shall apply beginning January 1, 1996, to recycling
13 property used in the conversion of ferrous and nonferrous
14 metal, wood, glass, tires, scrap tires, or shredded tires.

15 Sec. 2. Section 427.1, subsection 32, unnumbered paragraph
16 8, Code 1995, is amended to read as follows:

17 For the purposes of this subsection: "pollution-control
18 property" means personal property or improvements to real
19 property, or any portion thereof, used primarily to control or
20 abate pollution of any air or water of this state or used
21 primarily to enhance the quality of any air or water of this
22 state; and "recycling property" means personal property or
23 improvements to real property or any portion of the property,
24 used primarily in the manufacturing process and resulting
25 directly in the conversion of ferrous and nonferrous metal,
26 wood, glass, tires, scrap tires, shredded tires, waste
27 plastic, wastepaper products, or waste paperboard, into-new
28 for utilization as raw materials or-products to be
29 manufactured into new products composed primarily of recycled
30 material; and "recycling property" also means personal
31 property or improvements to real property or any portion of
32 the property, used primarily in the manufacturing of new
33 products composed primarily of recycled materials. This
34 subsection shall not apply to ferrous and nonferrous metal,
35 wood, glass, tires, scrap tires, shredded tires, waste

1 plastic, wastepaper products, or waste paperboard converted
2 for purposes of waste disposal. ~~In-the-event~~ If such
3 pollution control property shall also ~~serve~~ serves other
4 purposes or uses of productive benefit to the owner of the
5 property, only such portion of the assessed valuation thereof
6 of the property as may reasonably be calculated to be
7 necessary for and devoted to the control or abatement of
8 pollution, and to the enhancement of the quality of the air or
9 water of this state, ~~or-for-recycling~~ shall be exempt from
10 taxation under this subsection.

11 Sec. 3. Section 427.1, subsection 32, Code 1995, is
12 amended by adding the following new unnumbered paragraph:

13 NEW UNNUMBERED PARAGRAPH. For the purposes of this
14 subsection, "improvements to real property" does not include
15 the construction of buildings or any parts of buildings.

16 EXPLANATION

17 This bill extends the property tax exemption, beginning
18 January 1, 1996, for recycling property to property used
19 primarily in the conversion of ferrous and nonferrous metal,
20 wood, glass, tires, scrap tires, and shredded tires into raw
21 materials and property used to manufacture new products
22 composed primarily of recycled material.

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**HOUSE FILE 190
FISCAL NOTE**

A fiscal note for House File 190 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 190 extends the recycling property tax exemption, beginning January 1, 1996, to property used primarily in the conversion of metal, wood, glass, tires, scrap tires, and shredded tires into raw materials and property used to manufacture new products composed primarily of recycled material. Current law provides for an exemption for pollution-control property and recycling property used in the manufacturing process of waste paper, waste plastic, and waste paperboard.

ASSUMPTIONS

1. There are approximately 135 establishments in the scrap and waste materials sector (Standard Industrial Classification #5093). It is not possible at this time to determine how many of these companies are receiving partial or total M&E property tax exemptions under current law. Only one of these companies has more than 50 employees.
2. An informal survey of businesses in the tire shredding business indicated that a typical tire shredding machine costs approximately \$1.0 million, and a typical business would have two shredding machines. There are approximately five companies in the State that are shredding tires.
3. The survey also indicated that there are approximately 25 companies that crush cars. A typical car crushing operation has approximately \$500,000 worth of M&E. Similar analysis of the wood shredding industry indicates that there is less than \$2.0 million worth of M&E in the industry in Iowa.
4. This estimate does not take into account any growth that may occur in the affected industries, either as a result or independent of this Bill.

Approximately 35 companies have been identified whose M&E is worth an estimated total of \$24.5 million. The taxable value of this M&E would be approximately \$7.4 million. Assuming an average millage rate of \$32.00, the fiscal impact would be a decrease in revenues to local governments of approximately \$235,000. Due to the fact that the State would reimburse school districts \$5.40 per \$1,000 of lost valuation through the school aid formula, the net cost to local governments would be approximately \$195,000; and the net cost to the State would be approximately \$40,000. Assuming that the M&E valuation of these 35 companies represents at least one half of all the M&E valuation that would be affected, local governments would realize a decrease in revenues of an amount between \$195,000 and \$400,000; and the effect on the State would be a decrease in General Fund revenues of an amount between \$40,000 and \$80,000. The impact to both State and local governments would be realized in FY 1996. This fiscal note uses approximate midpoints of these ranges.

FISCAL IMPACT

House File 190 is expected to result in a decrease in revenues to local governments of approximately \$300,000 in FY 1996 and subsequent years. Due to the effects of the school aid formula, the State would realize a decrease in General Fund revenues of approximately \$60,000 in FY 1996 and subsequent years.

SOURCES

County Business Patterns, 1992

(LSB 1640hv, JAM)

FILED MARCH 1, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

Halvorson *Chr*
Reinkla
Bernau
Spring
Myers

HSB 117

WAYS AND MEANS

Succeeded By

HOUSE FILE 19

BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
HALVORSON)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

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2 the recycling of ferrous and nonferrous metal, tires, scrap
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24 used primarily in the manufacturing process and resulting
25 directly in the conversion of ferrous and nonferrous metal,
26 tires, scrap tires, shredded tires, waste plastic, wastepaper
27 products, or waste paperboard, into-new for utilization as raw
28 materials or-products to be manufactured into new products
29 composed primarily of recycled material; and "recycling
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32 manufacturing of new products composed primarily of recycled
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