

JAN 10 2000
WAYS AND MEANS

HOUSE FILE
BY GARMAN

2014

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

A BILL FOR

1 An Act exempting from the state sales and use taxes the sales of
2 bottled, or otherwise packaged, water for human consumption.

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

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HF 2014

1 Section 1. Section 422.45, Code Supplement 1999, is
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 12B. The gross receipts from the sale of
4 bottled, or otherwise packaged, water for human consumption
5 including, but not limited to, distilled, effervescent,
6 noneffervescent, soda, and mineral water.

7 EXPLANATION

8 The bill exempts from the state sales and use taxes the
9 sales of bottled, or otherwise packaged, water for human
10 consumption. The exemption includes sales of distilled,
11 effervescent, noneffervescent, soda, and mineral water.

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**HOUSE FILE 2014
FISCAL NOTE**

A fiscal note for House File 2014 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 2014 exempts the sale of bottled, or otherwise packaged, water for human consumption including, but not limited to, distilled, effervescent, soda, and mineral water, from the State sales and use taxes.

BACKGROUND

Bottled water sales nationally totaled \$4.3 billion in 1998. This represents an increase of 9.5% over the prior year's sales. Sales of bottled water for human consumption increased by approximately 64.0% between 1991 and 1998, and sales of this product are projected to increase another 39.5% by 2001 to an annual value of \$6.0 billion. Approximately 11 gallons of bottled water were consumed per capita in the United States in 1996. In comparison, for the same year Americans consumed 52.8 gallons of soft drinks per capita.

ASSUMPTIONS

1. The annual rate of growth in bottled water sales has been increasing throughout the 1990s from about 4.0% between 1991 and 1992 to 9.5% between 1997 and 1998. This trend will continue through 2001 when the annual rate of increase will peak at about 12.0%. After 2001 the annual rate of increase will decline by about 1.0% per year through 2005 when the rate of increase is expected to be about 8.0%.
2. The dollar value of bottled water sales for 2000, 2001, and 2002, is expected to total \$5.4 billion, \$6.0 billion, and \$6.7 billion, respectively.
3. Iowa's share of national bottled water sales is between 0.8% and 1.0%.
4. The Iowa sales and use tax rates equal 5.0%.

FISCAL IMPACT

The exemption of bottled water from State sales and use taxes will result in a decrease in General Fund revenues for FY 2001 and FY 2002 of between \$2.6 million and \$2.9 million, respectively. The proposed legislation will also result in a decrease in local option sales and services taxes.

SOURCES

The Bottled Water Web
Beverage Marketing Association

(LSB 5077hh, MAL)

FILED FEBRUARY 8, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR