

# House Study Bill 635

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT  
OF MANAGEMENT BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to utility replacement taxes by redefining major  
2 additions for purposes of allocating replacement taxes to  
3 taxing districts, requiring certain taxpayers to report  
4 estimated replacement taxes, and changing or establishing  
5 certain reporting dates and including effective and  
6 retroactive applicability date provisions.

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

8 TLSB 5266DP 80

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1 1 Section 1. Section 437A.3, subsection 18, Code Supplement  
1 2 2003, is amended to read as follows:

1 3 18. "Major addition" means ~~any~~ either of the following:

1 4 a. Any acquisition on or after January 1, 1998, by a  
1 5 taxpayer, by transfer of ownership, self-construction, or  
1 6 capital lease of any interest in any of the following:

1 7 ~~a-~~ (1) A building in this state where the acquisition cost  
1 8 of all interests acquired exceeds ten million dollars.

1 9 ~~b-~~ (2) An electric power generating plant where the  
1 10 acquisition cost of all interests acquired exceeds ten million

1 11 dollars. For purposes of this paragraph, "electric power

1 12 generating plant" means each nameplate rated electric power

1 13 generating plant owned solely or jointly by any person or

1 14 electric power facility financed under the provisions of

1 15 chapter 28F or 476A in which electrical energy is produced

1 16 from other forms of energy, including all equipment used in

1 17 the production of such energy through its step-up transformer.

1 18 ~~c-~~ (3) Natural gas operating property within a local

1 19 taxing district where the acquisition cost of all interests

1 20 acquired exceeds one million dollars.

1 21 ~~d-~~ (4) Any property described in section 437A.16 in this

1 22 state acquired by a person not previously subject to taxation

1 23 under this chapter.

1 24 b. Any acquisition on or after January 1, 2004, by a

1 25 taxpayer, by transfer of ownership, self-construction, or

1 26 capital lease of any interest in electric transmission

1 27 operating property within a local taxing district where the

1 28 acquisition cost of all interests acquired exceeds one million

1 29 dollars.

1 30 For purposes of this chapter, the acquisition cost of an

1 31 asset acquired by capital lease is its capitalized value

1 32 determined under generally accepted accounting principles.

1 33 Sec. 2. Section 437A.15, subsection 3, paragraph e, Code

1 34 Supplement 2003, is amended to read as follows:

1 35 e. Notwithstanding the provisions of this section, if

2 1 during the tax year a person who was not a taxpayer during the

2 2 prior tax year acquires a new major addition, as defined in

2 3 section 437A.3, subsection 18, paragraph ~~"d"~~ "a", subparagraph

2 4 (4), the replacement tax associated with that major addition

2 5 shall be allocated, for that tax year, under this section in

2 6 accordance with the general allocating formula on the basis of

2 7 the general property tax equivalents established under section

2 8 437A.15, except that the levy rates established and reported

2 9 to the department of management on or before June 30 following

2 10 the tax year in which the major addition was acquired shall be

2 11 applied to the prorated assessed value of the major addition

2 12 and provided that section 437A.19, subsection 2, paragraph

2 13 "b", subparagraph (2), is in any event applicable. For

2 14 purposes of this paragraph, "prorated assessed value of the

2 15 major addition" means the assessed value of the major addition

2 16 as of January 1 of the year following the tax year in which

2 17 the major addition was acquired multiplied by the percentage

2 18 derived by dividing the number of months that the major

2 19 addition existed during the tax year by twelve, counting any

2 20 portion of a month as a full month.

2 21 Sec. 3. Section 437A.19, subsection 2, paragraph f,  
2 22 unnumbered paragraph 5, Code Supplement 2003, is amended to  
2 23 read as follows:

2 24 In addition to reporting the assessed values as described  
2 25 in this subsection, the director, on or before October 31-  
~~2 26 2003, in the case of January 1, 2003, values, and on or before~~  
~~2 27 August 31 of each subsequent assessment year, shall also~~  
2 28 report to the department of management and to the auditor of  
2 29 each county the taxable value of taxpayer property as of  
2 30 January 1 of such assessment year for each local taxing  
2 31 district. For purposes of this chapter, "taxable value" means  
2 32 the value for all property subject to the replacement tax  
2 33 annually determined by the director, by dividing the estimated  
2 34 annual replacement tax liability for that property by the  
2 35 prior year's consolidated taxing district rate for the taxing  
3 1 district where that property is located, then multiplying the  
3 2 quotient by one thousand. ~~The prior year's replacement tax~~  
~~3 3 amounts for that property shall be used to estimate the~~  
~~3 4 current tax year's taxable value for that property. If~~  
~~3 5 property not subject to any threshold recalculation is~~  
~~3 6 generating replacement tax for the first time, or if a~~  
~~3 7 taxpayer's replacement tax will not be changed by any~~  
~~3 8 threshold recalculation and the taxpayer believes that the~~  
~~3 9 replacement tax will vary more than ten percent from the~~  
~~3 10 previous tax year, the taxpayer shall report to the director~~  
~~3 11 by July 15 of the current calendar year, on forms prescribed~~  
~~3 12 by the director, the estimated replacement tax liability that~~  
~~3 13 will be attributable to that property for the current tax~~  
~~3 14 year. A taxpayer who paid more than five hundred thousand~~  
~~3 15 dollars in replacement tax in the previous tax year or who~~  
~~3 16 believes their replacement tax liability will vary more than~~  
~~3 17 ten percent from the previous tax year shall report to the~~  
~~3 18 director by October 1 of the current calendar year, on forms~~  
~~3 19 prescribed by the director, the estimated replacement tax~~  
~~3 20 liability that will be attributable to all of the taxpayer's~~  
~~3 21 property subject to replacement tax for the current tax year.~~  
~~3 22 The department shall utilize the estimated replacement tax~~  
~~3 23 liability as reported by the taxpayer or the taxpayer's prior~~  
~~3 24 year's replacement tax amounts to estimate the current tax~~  
~~3 25 year's taxable value for that property. Furthermore, a~~  
~~3 26 taxpayer who has a new major addition of operating property~~  
~~3 27 which is put into service for the first time in the current~~  
~~3 28 calendar year shall report to the director by October 1 of the~~  
~~3 29 current calendar year, or at the time the major addition is~~  
~~3 30 put into service, whichever time is later, on forms prescribed~~  
~~3 31 by the director, the cost of the major addition and, if not~~  
~~3 32 previously reported, shall report the estimated replacement~~  
~~3 33 taxes which that asset will generate in the current calendar~~  
~~3 34 year.~~ For the purposes of computing the taxable value of  
3 35 property in a taxing district, the taxing district's share of  
4 1 the estimated replacement tax liability shall be the taxing  
4 2 district's percentage share of the "assessed value allocated  
4 3 by property tax equivalent" multiplied by the total estimated  
4 4 replacement tax. "Assessed value allocated by property tax  
4 5 equivalent" shall be determined by dividing the taxpayer's  
4 6 current year assessed valuation in a taxing district by one  
4 7 thousand, and then multiplying by the prior year's  
4 8 consolidated tax rate.

4 9 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.  
4 10 This Act, being deemed of immediate importance, takes effect  
4 11 upon enactment and applies retroactively to January 1, 2004.

#### 4 12 EXPLANATION

4 13 This bill amends Code section 437A.3, subsection 18, the  
4 14 definition of "major addition", to include acquisition of  
4 15 electric transmission operating property. The provision would  
4 16 allocate transmission line additions of more than \$1 million  
4 17 to particular taxing districts. This addresses the current  
4 18 situation where it is possible for a taxing district to  
4 19 receive little if any replacement tax even with the physical  
4 20 presence of a considerable amount of transmission line  
4 21 property.

4 22 The bill also amends Code section 437A.19, subsection 2,  
4 23 paragraph "f", so as to require gas and electric utility  
4 24 companies that paid more than \$500,000 in replacement taxes to  
4 25 report estimated replacement taxes to the department of  
4 26 revenue by October 1. Companies not meeting the threshold,  
4 27 but expecting a 10 percent replacement tax variance from the  
4 28 previous tax year, would also have to report by October 1  
4 29 rather than the current July 15 deadline. This amendment also  
4 30 requires gas and electric utility companies to report midyear

4 31 additions of operating property, along with associated  
4 32 estimated replacement taxes, to the department of revenue by  
4 33 October 1, or the time the asset is put into service,  
4 34 whichever is later. Finally, the date that the department of  
4 35 revenue certifies gas and electric utility valuations to  
5 1 county auditors is changed from August 31 to October 31. This  
5 2 is necessary to accommodate the two preceding reporting date  
5 3 changes.  
5 4 The bill takes effect upon enactment and applies  
5 5 retroactively to January 1, 2004.  
5 6 LSB 5266DP 80  
5 7 mg/gg/14