

SENATE FILE 275
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1070)

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

A BILL FOR

1 An Act relating to the taxation of utilities, including
2 establishment of a natural gas delivery tax rate for new
3 electric power generating plants, establishment of a
4 replacement transmission tax for certain municipal utilities,
5 methods of allocation of replacement generation tax incurred
6 by certain new stand-alone electric power generating plants, a
7 formula for determining taxable value for property generating
8 replacement tax annually, extending the task force, and
9 providing for applicability.

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

SF 275

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SENATE FILE 275

S-3066

1 Amend Senate File 275 as follows:
2 1. Page 2, by inserting after line 14 the
3 following:
4 "Sec. ____ . Section 437A.3, subsection 21,
5 paragraph a, subparagraph (1), subparagraph
6 subdivision (am), Code 2003, is amended to read as
7 follows:
8 (am) The city of Waukee in Dallas county and the
9 area within two miles of the city limits of Waukee as
10 of January 1, 1999, not including any part of the
11 cities of Clive, Urbandale, or West Des Moines."
12 2. By renumbering, redesignating, and correcting
13 internal references as necessary.

By NEAL SCHUERER
JERRY BEHN

S-3066 FILED MARCH 19, 2003

(unadopted)

1 Section 1. Section 426B.2, subsections 1 and 3, Code 2003,
2 are amended to read as follows:

3 1. The moneys in the property tax relief fund available to
4 counties for a fiscal year shall be distributed as provided in
5 this section. A county's proportion of the moneys shall be
6 equivalent to the sum of the following three factors:

7 a. One-third based upon the county's proportion of the
8 state's general population.

9 b. One-third based upon the county's proportion of the
10 state's total taxable property valuation assessed for taxes
11 payable in the previous fiscal year.

12 c. One-third based upon the county's proportion of all
13 counties' base year expenditures, as defined in section
14 331.438.

15 Moneys provided to a county for property tax relief in a
16 fiscal year, excluding replacement taxes in the property tax
17 relief fund, in accordance with this subsection shall not be
18 less than the amount provided for property tax relief in the
19 previous fiscal year.

20 3. The director of human services shall draw warrants on
21 the property tax relief fund, payable to the county treasurer
22 in the amount due to a county in accordance with subsection 1
23 and mail the warrants to the county auditors in July and
24 January of each year. Any replacement generation tax in the
25 property tax relief fund as of November 1 shall be paid to the
26 county treasurers in July and January of the fiscal year
27 beginning the following July 1.

28 Sec. 2. Section 437A.3, subsection 10, Code 2003, is
29 amended by adding the following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. "New electric power generating
31 plant" means an electric power generating plant that is owned
32 by or leased to an electric company, electric cooperative, or
33 municipal utility, and that initially generates electricity
34 subject to replacement generation tax under section 437A.6 on
35 or after January 1, 2003.

1 Sec. 3. Section 437A.3, subsection 13, Code 2003, is
2 amended by adding the following new unnumbered paragraph:
3 NEW UNNUMBERED PARAGRAPH. "Local amount" for the purposes
4 of determining the local taxable value for a new electric
5 power generating plant shall annually be determined to be
6 equal up to the first forty-four million four hundred forty-
7 four thousand four hundred forty-five dollars of the taxable
8 value of the new electric power generating plant. "Local
9 amount" for the purposes of determining the local assessed
10 value for a new electric power generating plant shall be
11 annually determined to be the percentage share of the taxable
12 value of the new electric power generating plant allocated as
13 the local amount multiplied by the total assessed value of the
14 new electric power generating plant.

15 Sec. 4. Section 437A.3, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 27A. "Taxable value" means as defined in
18 section 437A.19, subsection 2, paragraph "f".

19 Sec. 5. Section 437A.5, subsection 1, Code 2003, is
20 amended by adding the following new paragraph:

21 NEW PARAGRAPH. c. Notwithstanding paragraphs "a" and "b",
22 a natural gas delivery rate of one and eleven-hundredths of a
23 cent (.0111) per therm of natural gas is imposed on all
24 natural gas delivered to or consumed by a new electric power
25 generating plant for purposes of generating electricity within
26 the state during the tax year. However, if a new electric
27 power generating plant is exempt from a replacement generation
28 tax pursuant to section 437A.6, subsection 1, paragraph "b",
29 the natural gas delivery rate for the municipal service area
30 that the new plant serves shall instead apply for deliveries
31 of natural gas by the municipal gas utility.

32 The provisions of section 437A.5, subsection 8, shall not
33 apply to the therms of natural gas subject to the delivery tax
34 set forth in this paragraph.

35 Sec. 6. Section 437A.5, subsection 6, Code 2003, is

1 amended to read as follows:

2 6. Notwithstanding subsection 1, the natural gas delivery
3 tax rate applied to therms of natural gas delivered by a
4 taxpayer to utility property and facilities which that are
5 placed in service on or after January 1, 1999, and which that
6 are owned by or leased to and initially served by such
7 taxpayer shall be the natural gas delivery tax rate in effect
8 for the natural gas competitive service area principally
9 served by such utility property and facilities even though
10 such utility property and facilities may be physically located
11 in another natural gas competitive service area.

12 This subsection shall not apply to natural gas delivered to
13 or consumed by new electric power generating plants.

14 Sec. 7. Section 437A.7, Code 2003, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 1A. In lieu of the replacement
17 transmission tax imposed in subsection 1, a municipal utility
18 whose replacement transmission tax liability for the tax year
19 1999 was limited to the tax imposed by this section and whose
20 anticipated tax revenues from a taxpayer, as defined in
21 section 437A.15, subsection 4, for the tax year 1999, exceeded
22 its replacement transmission tax by more than one hundred
23 thousand dollars shall be subject to replacement transmission
24 tax on all transmission lines owned by or leased to the
25 municipal utility as of the last day of the tax year 2000 as
26 follows:

27 a. Three thousand twenty-five dollars per pole mile of
28 transmission line owned or leased by the taxpayer not
29 exceeding one hundred kilovolts.

30 b. Seven thousand dollars per pole mile of transmission
31 line owned or leased by the taxpayer greater than one hundred
32 fifty kilovolts but not exceeding three hundred kilovolts.

33 Sec. 8. Section 437A.8, subsection 4, Code 2003, is
34 amended by adding the following new paragraph:

35 NEW PARAGRAPH. d. Notwithstanding paragraph "a", a

1 taxpayer who owns or leases a new electric power generating
2 plant and who has no other operating property in the state of
3 Iowa except for operating property directly serving the new
4 electric power generating plant as described in section
5 437A.16, shall pay the replacement generation tax associated
6 with the allocation of the local amount to the county
7 treasurer of the county in which the local amount is located
8 and shall remit the remaining replacement generation tax, if
9 any, to the director according to paragraph "a" for remittance
10 of the tax to county treasurers. The director shall notify
11 each taxpayer on or before August 31 following a tax year of
12 its remaining replacement generation tax to be remitted to the
13 director. All remaining replacement generation tax revenues
14 received by the director shall be deposited in the property
15 tax relief fund created in section 426B.1, and shall be
16 distributed as provided in section 426B.2.

17 Sec. 9. Section 437A.15, subsection 3, paragraph a, Code
18 2003, is amended to read as follows:

19 a. All replacement taxes owed by a taxpayer shall be
20 allocated among the local taxing districts in which such
21 taxpayer's property is located in accordance with a general
22 allocation formula determined by the department of management
23 on the basis of general property tax equivalents. General
24 property tax equivalents shall be determined by applying the
25 levy rates reported by each local taxing district to the
26 department of management on or before June 30 following a tax
27 year to the assessed taxable value of taxpayer property
28 allocated to each such local taxing district as adjusted and
29 reported to the department of management in such tax year by
30 the director pursuant to section 437A.19, subsection 2. The
31 general allocation formula for a tax year shall allocate to
32 each local taxing district that portion of the replacement
33 taxes owed by each taxpayer which bears the same ratio as such
34 taxpayer's general property tax equivalents for each local
35 taxing district bears to such taxpayer's total general

1 property tax equivalents for all local taxing districts in
2 Iowa.

3 When allocating natural gas delivery taxes on deliveries of
4 natural gas to a new electric power generating plant, ten
5 percent of those natural gas delivery taxes shall be allocated
6 over new gas property built to directly serve the new electric
7 power generating plant and ninety percent of those natural gas
8 delivery taxes shall be allocated to the general property tax
9 equivalents of all gas property within the natural gas
10 competitive service area or areas where the new gas property
11 is located.

12 Sec. 10. Section 437A.15, subsection 3, Code 2003, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. f. Notwithstanding the provisions of this
15 section, if a taxpayer is a municipal utility or a municipal
16 owner of an electric power facility financed under the
17 provisions of chapter 28F or 476A, the assessed value, other
18 than the local amount, of a new electric power generating
19 plant shall be allocated to each taxing district in which the
20 municipal utility or municipal owner is serving customers and
21 has electric meters in operation in the ratio that the number
22 of operating electric meters of the municipal utility or
23 municipal owner located in the taxing district bears to the
24 total number of operating electric meters of the municipal
25 utility or municipal owner in the state as of January 1 of the
26 tax year. If the municipal utility or municipal owner of an
27 electric power facility financed under the provisions of
28 chapter 28F or 476A has a new electric power generating plant
29 but the municipal utility or municipal owner has no operating
30 electric meters in this state, the municipal utility or
31 municipal owner shall pay the replacement generation tax
32 associated with the new electric power generating plant
33 allocation of the local amount to the county treasurer of the
34 county in which the local amount is located and shall remit
35 the remaining replacement generation tax, if any, to the

1 director at the times contained in section 437A.8, subsection
2 4, for remittance of the tax to the county treasurers. All
3 remaining replacement generation tax revenues received by the
4 director shall be deposited in the property tax relief fund
5 created in section 426B.1, and shall be distributed as
6 provided in section 426B.2.

7 Sec. 11. Section 437A.15, subsection 7, Code 2003, is
8 amended to read as follows:

9 7. ~~On or before July 1, 1998, the~~ The department of
10 management, in consultation with the department of revenue and
11 finance, shall ~~initiate and~~ coordinate the ~~establishment of a~~
12 utility replacement tax task force and provide staffing
13 assistance to the task force. It is the intent of the general
14 assembly that the task force include representatives of the
15 department of management, department of revenue and finance,
16 electric companies, natural gas companies, municipal
17 utilities, electric cooperatives, counties, cities, school
18 boards, and industrial, commercial, and residential consumers,
19 and other appropriate stakeholders.

20 The task force shall study the effects of the replacement
21 tax on local taxing authorities, local taxing districts,
22 consumers, and taxpayers and the department of management
23 shall report to the general assembly by January 1 of each year
24 through January 1, ~~2003~~ 2005, the results of the study and the
25 specific recommendations of the task force for modifications
26 to the replacement tax, if any, which will further the
27 purposes of tax neutrality for local taxing authorities, local
28 taxing districts, taxpayers, and consumers, consistent with
29 the stated purposes of this chapter. The department of
30 management shall also report to the legislative council by
31 November 15 of each year through ~~2002~~ 2004, the status of the
32 task force study and any recommendations.

33 Sec. 12. Section 437A.19, subsection 2, paragraph f, Code
34 2003, is amended to read as follows:

35 f. In the event the base year assessed value of taxpayer

1 property is adjusted as a result of taxpayer appeals, reduce
2 the assessed value of taxpayer property in each local taxing
3 district to reflect such adjustment. The adjustment shall be
4 allocated in proportion to the allocation of the taxpayer's
5 assessed value among the local taxing districts determined
6 without regard to this adjustment. ~~If an~~ An adjustment to the
7 base year assessed value of taxpayer property ~~is finally~~
8 ~~determined on or before September 30, 1999, it shall be~~
9 ~~reflected in the January 1, 1999, assessed value. --- Otherwise,~~
10 ~~any such adjustment~~ shall be made as of January 1 of the year
11 following the date on which the adjustment is finally
12 determined.

13 In no event shall the adjustments set forth in this
14 subsection reduce the assessed value of taxpayer property in
15 any local taxing district below zero.

16 The director, ~~on or before October 31, 1999, in the case of~~
17 ~~January 1, 1999, assessed values,~~ and on or before August 31
18 of each ~~subsequent~~ assessment year, shall report to the
19 department of management and to the auditor of each county the
20 adjusted assessed value of taxpayer property as of January 1
21 of such assessment year for each local taxing district,
22 ~~provided that for a taxpayer whose base year as defined in~~
23 ~~section 437A.3, subsection 1, changed from 1997 to 1998, the~~
24 ~~director shall, before May 1, 2000, report to the department~~
25 ~~of management and to the auditor of each county, the assessed~~
26 ~~values as of January 1, 1999.~~ For purposes of this
27 subsection, the assessed value of taxpayer property in each
28 local taxing district subject to adjustment under this section
29 by the director means the assessed value of such property as
30 of the preceding January 1 as determined and allocated among
31 the local taxing districts by the director.

32 Nothing in this chapter shall be interpreted to authorize
33 local taxing authorities to exclude from the calculation of
34 levy rates the adjusted-assessed taxable value of taxpayer
35 property reported to county auditors pursuant to this

1 subsection.

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

1 consolidated tax rate.

2 Sec. 13. RETROACTIVE APPLICABILITY. This bill applies
3 retroactively to tax years beginning on or after January 1,
4 2003.

5 EXPLANATION

6 This bill amends various provisions of Code chapter 437A,
7 relating to the replacement generation tax on persons
8 generating electricity, and related provisions in Code section
9 426B.2. The bill also makes conforming amendments to various
10 replacement generation tax provisions relating to new electric
11 power generating plants to be built in the state of Iowa and
12 the allocation of replacement generation taxes for stand-alone
13 new electric power generating plants, the natural gas delivery
14 tax attributable to the natural gas deliveries to those
15 plants, and the allocation of the natural gas delivery tax
16 attributable to those plants.

17 The bill adds a definition for "new electric power
18 generating plant" in Code section 437A.3, and adds additional
19 definitional material for "local amount" by providing that the
20 local amount of a new electric power generating plant, for
21 purposes of determining the local taxable value of the plant,
22 shall annually be determined to be equal up to the first
23 \$44,444,445 of taxable value of the new plant. This provision
24 fixes the taxable value at this amount for new plants on a
25 yearly basis regardless of depreciation.

26 The bill establishes in Code section 437A.5 a new statewide
27 natural gas delivery rate of one and eleven-hundredths of a
28 cent (.0111) per therm of natural gas delivered to or consumed
29 by new electric power generating plants. If the new plant is
30 owned by or leased to a municipal utility that is exempt from
31 replacement generation tax pursuant to Code section 437A.6,
32 however, the rate for the municipal service area instead
33 applies. The bill also provides that the natural gas
34 delivered to new electric power generating plants is not
35 subject to the threshold recalculation for certain increases

1 and decreases in total taxable therms of natural gas under
2 Code section 437A.5, subsection 8.

3 The bill provides, in Code section 437A.7, a replacement
4 transmission tax at increased rates on a municipal utility
5 whose anticipated tax revenue exceeded its replacement
6 transmission tax by more than \$100,000 for tax year 1999. If
7 such a utility acquires transmission lines in 2001 or
8 thereafter, those lines will be subject to tax at the rates in
9 Code section 437A.7, subsection 1, paragraphs "a" through "d".

10 The bill adds a new paragraph to Code section 437A.8,
11 subsection 4, to provide for the remission of replacement
12 generation tax in cases of certain new electric power
13 generating plants. The bill provides a method for allocation
14 of replacement generation tax incurred by a stand-alone new
15 electric power generating plant whereby the tax attributed to
16 the local amount as defined in Code section 437A.3, subsection
17 13, is paid to the county treasurer and the remaining tax, if
18 any, is paid to the director who deposits the tax receipts
19 into the property tax relief fund created in Code section
20 426B.1 for distribution as provided in Code section 426B.2.
21 This provision is applicable even if the taxpayer has other
22 Iowa operating property as long as the taxpayer's other Iowa
23 operating property is limited to operating property directly
24 serving the new electric power generating plant. The
25 replacement generation tax is placed in the property tax
26 relief fund for distribution, along with other state moneys,
27 to counties to reimburse the counties for their qualified
28 mental health, mental retardation, and developmental
29 disabilities services expenditures.

30 The bill provides in Code section 426B.2 that in
31 determining whether property tax relief fund moneys provided
32 to a county are more or less than in the previous fiscal year,
33 replacement taxes shall not be considered in such
34 determination. The bill also amends Code section 426B.2,
35 subsection 3, to provide that all replacement tax receipts in

1 the property tax relief fund as of November 1 of the calendar
2 year immediately preceding the following fiscal year shall be
3 paid to the county treasurers in July and January of each
4 year.

5 The bill provides in Code section 437A.15, subsection 3,
6 for the allocation of gas delivery taxes on deliveries of
7 natural gas to a new electric power generating plant. Ten
8 percent of the natural gas delivery taxes shall be allocated
9 over new gas properties built to directly serve the new plant
10 and the remaining 90 percent shall be allocated to the general
11 property tax equivalents of all gas property within the
12 natural gas competitive service area or areas where the new
13 gas property is located.

14 The bill adds a new paragraph to Code section 437A.15,
15 subsection 3, pertaining to the assessed value of a new
16 electric power generating plant owned by a municipal utility
17 or municipal owner. The bill provides a method of allocation
18 of replacement generation tax incurred by stand-alone electric
19 power generating plants of municipal utilities and municipal
20 owners who have an electric power facility financed under Code
21 chapter 28F or 476A and provides a method of allocation of
22 replacement generation tax on the basis of operating electric
23 meters with respect to other municipal utilities and municipal
24 owners who have an electric power facility financed under Code
25 chapter 28F or 476A.

26 The bill adds a new paragraph to Code section 437A.19 to
27 adjust annually the assessed value for all gas and electric
28 utility property by determining a taxable value of such
29 property on an annual basis, in order to bring the general
30 property tax equivalent for properties subject to the
31 replacement tax more in balance with the actual replacement
32 tax generated by those properties. The new paragraph provides
33 a formula to determine the taxable value for property
34 generating a replacement tax on an annual basis and a method
35 for determining such value if the property is generating tax

1 for the first time. The bill also includes definitions for
2 "taxable value" and certain terms used only in Code section
3 437A.19. A new subsection is also added to the definitions in
4 437A.3 for "taxable value" to refer to the definition in
5 437A.19, since that term applies to all of Code chapter 437A.

6 The bill also extends the utility replacement tax task
7 force by two years, by requiring that it report its activities
8 to the general assembly by January 1 of each year through
9 January 1, 2005.

10 The bill applies retroactively to tax years beginning on or
11 after January 1, 2003.

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SENATE FILE 275

S-3039

1 Amend Senate File 275 as follows:

2 1. Page 1, by inserting after line 27 the
3 following:

4 "Sec. _____. Section 437A.3, Code 2003, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. 4A. "Cogeneration facility" means
7 a facility with a capacity of two hundred megawatts or
8 less that uses the same energy source for the
9 sequential generation of electrical or mechanical
10 power in combination with steam, heat, or other forms
11 of useful energy and, except for ownership, meets the
12 criteria to be a qualifying cogeneration facility as
13 defined in the federal Public Utility Regulatory
14 Policies Act of 1978, 16 U.S.C. § 2601 et seq., and
15 related federal regulations."

16 2. Page 2, line 32, by striking the word and
17 figure "section 437A.5,".

18 3. Page 2, by inserting after line 34 the
19 following:

20 "If the new electric power generating plant is part
21 of a cogeneration facility, the natural gas delivery
22 rate for that plant shall be the lesser of the natural
23 gas delivery rate established in this paragraph or the
24 rate per therm of natural gas as in effect at the time
25 of the initial natural gas deliveries to the plant for
26 the natural gas competitive service area where the new
27 electric power generating plant is located."

28 4. By renumbering, relettering, redesignating,
29 and correcting internal references as necessary.

By NEAL SCHUERER

S-3039 FILED MARCH 18, 2003

Adopted 3/20/03

SENATE FILE 275

S-3053

1 Amend Senate File 275 as follows:

2 1. Page 2, by inserting after line 14 the
3 following:

4 "Sec. _____. Section 437A.3, subsection 21,
5 paragraph a, subparagraph (1), subparagraph
6 subdivision (am), Code 2003, is amended to read as
7 follows:

8 (am) The city of Waukee in Dallas county and the
9 area within two miles of the city limits."

10 2. By renumbering, redesignating, and correcting
11 internal references as necessary.

By NEAL SCHUERER
JERRY BEHN

S-3053 FILED MARCH 18, 2003

Withdrawn 3/20/03

SF 275 - Utility Taxation (LSB 1215 SV)

Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)
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

SENATE FILE 275

BY COMMITTEE ON COMMERCE

Referred to House Ways + Means
(SUCCESSOR TO SSB 1070) 3/24/03

(AS AMENDED AND PASSED BY THE SENATE MARCH 20, 2003)

_____ - New Language by the Senate
* - Language Stricken by the Senate

Passed Senate, Date Passed 3/20/03 Passed House, Date 4/24/03
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved 5/2/03

A BILL FOR

1 An Act relating to the taxation of utilities, including
2 establishment of a natural gas delivery tax rate for new
3 electric power generating plants, establishment of a
4 replacement transmission tax for certain municipal utilities,
5 methods of allocation of replacement generation tax incurred
6 by certain new stand-alone electric power generating plants, a
7 formula for determining taxable value for property generating
8 replacement tax annually, extending the task force, and
9 providing for applicability.

S.F. 275

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

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1 Section 1. Section 426B.2, subsections 1 and 3, Code 2003,
2 are amended to read as follows:

3 1. The moneys in the property tax relief fund available to
4 counties for a fiscal year shall be distributed as provided in
5 this section. A county's proportion of the moneys shall be
6 equivalent to the sum of the following three factors:

7 a. One-third based upon the county's proportion of the
8 state's general population.

9 b. One-third based upon the county's proportion of the
10 state's total taxable property valuation assessed for taxes
11 payable in the previous fiscal year.

12 c. One-third based upon the county's proportion of all
13 counties' base year expenditures, as defined in section
14 331.438.

15 Moneys provided to a county for property tax relief in a
16 fiscal year, excluding replacement taxes in the property tax
17 relief fund, in accordance with this subsection shall not be
18 less than the amount provided for property tax relief in the
19 previous fiscal year.

20 3. The director of human services shall draw warrants on
21 the property tax relief fund, payable to the county treasurer
22 in the amount due to a county in accordance with subsection 1
23 and mail the warrants to the county auditors in July and
24 January of each year. Any replacement generation tax in the
25 property tax relief fund as of November 1 shall be paid to the
26 county treasurers in July and January of the fiscal year
27 beginning the following July 1.

28 Sec. 2. Section 437A.3, Code 2003, is amended by adding
29 the following new subsection:

30 NEW SUBSECTION. 4A. "Cogeneration facility" means a
31 facility with a capacity of two hundred megawatts or less that
32 uses the same energy source for the sequential generation of
33 electrical or mechanical power in combination with steam,
34 heat, or other forms of useful energy and, except for
35 ownership, meets the criteria to be a qualifying cogeneration

1 facility as defined in the federal Public Utility Regulatory
2 Policies Act of 1978, 16 U.S.C. § 2601 et seq., and related
3 federal regulations.

4 Sec. 3. Section 437A.3, subsection 10, Code 2003, is
5 amended by adding the following new unnumbered paragraph:

6 NEW UNNUMBERED PARAGRAPH. "New electric power generating
7 plant" means an electric power generating plant that is owned
8 by or leased to an electric company, electric cooperative, or
9 municipal utility, and that initially generates electricity
10 subject to replacement generation tax under section 437A.6 on
11 or after January 1, 2003.

12 Sec. 4. Section 437A.3, subsection 13, Code 2003, is
13 amended by adding the following new unnumbered paragraph:

14 NEW UNNUMBERED PARAGRAPH. "Local amount" for the purposes
15 of determining the local taxable value for a new electric
16 power generating plant shall annually be determined to be
17 equal up to the first forty-four million four hundred forty-
18 four thousand four hundred forty-five dollars of the taxable
19 value of the new electric power generating plant. "Local
20 amount" for the purposes of determining the local assessed
21 value for a new electric power generating plant shall be
22 annually determined to be the percentage share of the taxable
23 value of the new electric power generating plant allocated as
24 the local amount multiplied by the total assessed value of the
25 new electric power generating plant.

26 Sec. 5. Section 437A.3, subsection 21, paragraph a,
27 subparagraph (1), subparagraph subdivision (am), Code 2003, is
28 amended to read as follows:

29 (am) The city of Waukee in Dallas county and the area
30 within two miles of the city limits of Waukee as of January 1,
31 1999, not including any part of the cities of Clive,
32 Urbandale, or West Des Moines.

33 Sec. 6. Section 437A.3, Code 2003, is amended by adding
34 the following new subsection:

35 NEW SUBSECTION. 27A. "Taxable value" means as defined in

1 section 437A.19, subsection 2, paragraph "f".

2 Sec. 7. Section 437A.5, subsection 1, Code 2003, is
3 amended by adding the following new paragraph:

4 NEW PARAGRAPH. c. Notwithstanding paragraphs "a" and "b",
5 a natural gas delivery rate of one and eleven-hundredths of a
6 cent (.0111) per therm of natural gas is imposed on all
7 natural gas delivered to or consumed by a new electric power
8 generating plant for purposes of generating electricity within
9 the state during the tax year. However, if a new electric
10 power generating plant is exempt from a replacement generation
11 tax pursuant to section 437A.6, subsection 1, paragraph "b",
12 the natural gas delivery rate for the municipal service area
13 that the new plant serves shall instead apply for deliveries
14 of natural gas by the municipal gas utility.

* 15 The provisions of subsection 8, shall not apply to the
16 therms of natural gas subject to the delivery tax set forth in
17 this paragraph.

18 If the new electric power generating plant is part of a
19 cogeneration facility, the natural gas delivery rate for that
20 plant shall be the lesser of the natural gas delivery rate
21 established in this paragraph or the rate per therm of natural
22 gas as in effect at the time of the initial natural gas
23 deliveries to the plant for the natural gas competitive
24 service area where the new electric power generating plant is
25 located.

26 Sec. 8. Section 437A.5, subsection 6, Code 2003, is
27 amended to read as follows:

28 6. Notwithstanding subsection 1, the natural gas delivery
29 tax rate applied to therms of natural gas delivered by a
30 taxpayer to utility property and facilities which that are
31 placed in service on or after January 1, 1999, and which that
32 are owned by or leased to and initially served by such
33 taxpayer shall be the natural gas delivery tax rate in effect
34 for the natural gas competitive service area principally
35 served by such utility property and facilities even though

1 such utility property and facilities may be physically located
2 in another natural gas competitive service area.

3 This subsection shall not apply to natural gas delivered to
4 or consumed by new electric power generating plants.

5 Sec. 9. Section 437A.7, Code 2003, is amended by adding
6 the following new subsection:

7 NEW SUBSECTION. 1A. In lieu of the replacement
8 transmission tax imposed in subsection 1, a municipal utility
9 whose replacement transmission tax liability for the tax year
10 1999 was limited to the tax imposed by this section and whose
11 anticipated tax revenues from a taxpayer, as defined in
12 section 437A.15, subsection 4, for the tax year 1999, exceeded
13 its replacement transmission tax by more than one hundred
14 thousand dollars shall be subject to replacement transmission
15 tax on all transmission lines owned by or leased to the
16 municipal utility as of the last day of the tax year 2000 as
17 follows:

18 a. Three thousand twenty-five dollars per pole mile of
19 transmission line owned or leased by the taxpayer not
20 exceeding one hundred kilovolts.

21 b. Seven thousand dollars per pole mile of transmission
22 line owned or leased by the taxpayer greater than one hundred
23 fifty kilovolts but not exceeding three hundred kilovolts.

24 Sec. 10. Section 437A.8, subsection 4, Code 2003, is
25 amended by adding the following new paragraph:

26 NEW PARAGRAPH. d. Notwithstanding paragraph "a", a
27 taxpayer who owns or leases a new electric power generating
28 plant and who has no other operating property in the state of
29 Iowa except for operating property directly serving the new
30 electric power generating plant as described in section
31 437A.16, shall pay the replacement generation tax associated
32 with the allocation of the local amount to the county
33 treasurer of the county in which the local amount is located
34 and shall remit the remaining replacement generation tax, if
35 any, to the director according to paragraph "a" for remittance

1 of the tax to county treasurers. The director shall notify
2 each taxpayer on or before August 31 following a tax year of
3 its remaining replacement generation tax to be remitted to the
4 director. All remaining replacement generation tax revenues
5 received by the director shall be deposited in the property
6 tax relief fund created in section 426B.1, and shall be
7 distributed as provided in section 426B.2.

8 Sec. 11. Section 437A.15, subsection 3, paragraph a, Code
9 2003, is amended to read as follows:

10 a. All replacement taxes owed by a taxpayer shall be
11 allocated among the local taxing districts in which such
12 taxpayer's property is located in accordance with a general
13 allocation formula determined by the department of management
14 on the basis of general property tax equivalents. General
15 property tax equivalents shall be determined by applying the
16 levy rates reported by each local taxing district to the
17 department of management on or before June 30 following a tax
18 year to the assessed taxable value of taxpayer property
19 allocated to each such local taxing district as adjusted and
20 reported to the department of management in such tax year by
21 the director pursuant to section 437A.19, subsection 2. The
22 general allocation formula for a tax year shall allocate to
23 each local taxing district that portion of the replacement
24 taxes owed by each taxpayer which bears the same ratio as such
25 taxpayer's general property tax equivalents for each local
26 taxing district bears to such taxpayer's total general
27 property tax equivalents for all local taxing districts in
28 Iowa.

29 When allocating natural gas delivery taxes on deliveries of
30 natural gas to a new electric power generating plant, ten
31 percent of those natural gas delivery taxes shall be allocated
32 over new gas property built to directly serve the new electric
33 power generating plant and ninety percent of those natural gas
34 delivery taxes shall be allocated to the general property tax
35 equivalents of all gas property within the natural gas

1 competitive service area or areas where the new gas property
2 is located.

3 Sec. 12. Section 437A.15, subsection 3, Code 2003, is
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. f. Notwithstanding the provisions of this
6 section, if a taxpayer is a municipal utility or a municipal
7 owner of an electric power facility financed under the
8 provisions of chapter 28F or 476A, the assessed value, other
9 than the local amount, of a new electric power generating
10 plant shall be allocated to each taxing district in which the
11 municipal utility or municipal owner is serving customers and
12 has electric meters in operation in the ratio that the number
13 of operating electric meters of the municipal utility or
14 municipal owner located in the taxing district bears to the
15 total number of operating electric meters of the municipal
16 utility or municipal owner in the state as of January 1 of the
17 tax year. If the municipal utility or municipal owner of an
18 electric power facility financed under the provisions of
19 chapter 28F or 476A has a new electric power generating plant
20 but the municipal utility or municipal owner has no operating
21 electric meters in this state, the municipal utility or
22 municipal owner shall pay the replacement generation tax
23 associated with the new electric power generating plant
24 allocation of the local amount to the county treasurer of the
25 county in which the local amount is located and shall remit
26 the remaining replacement generation tax, if any, to the
27 director at the times contained in section 437A.8, subsection
28 4, for remittance of the tax to the county treasurers. All
29 remaining replacement generation tax revenues received by the
30 director shall be deposited in the property tax relief fund
31 created in section 426B.1, and shall be distributed as
32 provided in section 426B.2.

33 Sec. 13. Section 437A.15, subsection 7, Code 2003, is
34 amended to read as follows:

35 7. ~~On or before July 17, 1998~~ The department of

1 management, in consultation with the department of revenue and
2 finance, shall ~~initiate and~~ coordinate the ~~establishment of a~~
3 utility replacement tax task force and provide staffing
4 assistance to the task force. It is the intent of the general
5 assembly that the task force include representatives of the
6 department of management, department of revenue and finance,
7 electric companies, natural gas companies, municipal
8 utilities, electric cooperatives, counties, cities, school
9 boards, and industrial, commercial, and residential consumers,
10 and other appropriate stakeholders.

11 The task force shall study the effects of the replacement
12 tax on local taxing authorities, local taxing districts,
13 consumers, and taxpayers and the department of management
14 shall report to the general assembly by January 1 of each year
15 through January 1, ~~2003~~ 2005, the results of the study and the
16 specific recommendations of the task force for modifications
17 to the replacement tax, if any, which will further the
18 purposes of tax neutrality for local taxing authorities, local
19 taxing districts, taxpayers, and consumers, consistent with
20 the stated purposes of this chapter. The department of
21 management shall also report to the legislative council by
22 November 15 of each year through ~~2002~~ 2004, the status of the
23 task force study and any recommendations.

24 Sec. 14. Section 437A.19, subsection 2, paragraph f, Code
25 2003, is amended to read as follows:

26 f. In the event the base year assessed value of taxpayer
27 property is adjusted as a result of taxpayer appeals, reduce
28 the assessed value of taxpayer property in each local taxing
29 district to reflect such adjustment. The adjustment shall be
30 allocated in proportion to the allocation of the taxpayer's
31 assessed value among the local taxing districts determined
32 without regard to this adjustment. ~~If an~~ An adjustment to the
33 base year assessed value of taxpayer property ~~is finally~~
34 ~~determined on or before September 30, 1999, it shall be~~
35 ~~reflected in the January 1, 1999, assessed value. Otherwise,~~

1 ~~any-such-adjustment~~ shall be made as of January 1 of the year
2 following the date on which the adjustment is finally
3 determined.

4 In no event shall the adjustments set forth in this
5 subsection reduce the assessed value of taxpayer property in
6 any local taxing district below zero.

7 The director, ~~on-or-before-October-31,-1999,-in-the-case-of~~
8 ~~January-1,-1999,-assessed-values,-and~~ on or before August 31
9 of each ~~subsequent~~ assessment year, shall report to the
10 department of management and to the auditor of each county the
11 adjusted assessed value of taxpayer property as of January 1
12 of such assessment year for each local taxing district,
13 ~~provided-that-for-a-taxpayer-whose-base-year-as-defined-in~~
14 ~~section-437A.3,-subsection-1,-changed-from-1997-to-1998,-the~~
15 ~~director-shall,-before-May-1,-2000,-report-to-the-department~~
16 ~~of-management-and-to-the-auditor-of-each-county,-the-assessed~~
17 ~~values-as-of-January-1,-1999.~~ For purposes of this
18 subsection, the assessed value of taxpayer property in each
19 local taxing district subject to adjustment under this section
20 by the director means the assessed value of such property as
21 of the preceding January 1 as determined and allocated among
22 the local taxing districts by the director.

23 Nothing in this chapter shall be interpreted to authorize
24 local taxing authorities to exclude from the calculation of
25 levy rates the adjusted-assessed taxable value of taxpayer
26 property reported to county auditors pursuant to this
27 subsection.

28 In addition to reporting the assessed values as described
29 in this subsection, the director, on or before October 31,
30 2003, in the case of January 1, 2003, values, and on or before
31 August 31 of each subsequent assessment year, shall also
32 report to the department of management and to the auditor of
33 each county the taxable value of taxpayer property as of
34 January 1 of such assessment year for each local taxing
35 district. For purposes of this chapter, "taxable value" means

1 the value for all property subject to the replacement tax
2 annually determined by the director, by dividing the estimated
3 annual replacement tax liability for that property by the
4 prior year's consolidated taxing district rate for the taxing
5 district where that property is located, then multiplying the
6 quotient by one thousand. The prior year's replacement tax
7 amounts for that property shall be used to estimate the
8 current tax year's taxable value for that property. If
9 property not subject to any threshold recalculation is
10 generating replacement tax for the first time, or if a
11 taxpayer's replacement tax will not be changed by any
12 threshold recalculation and the taxpayer believes that the
13 replacement tax will vary more than ten percent from the
14 previous tax year, the taxpayer shall report to the director
15 by July 15 of the current calendar year, on forms prescribed
16 by the director, the estimated replacement tax liability that
17 will be attributable to that property for the current tax
18 year. For the purposes of computing the taxable value of
19 property in a taxing district, the taxing district's share of
20 the estimated replacement tax liability shall be the taxing
21 district's percentage share of the "assessed value allocated
22 by property tax equivalent" multiplied by the total estimated
23 replacement tax. "Assessed value allocated by property tax
24 equivalent" shall be determined by dividing the taxpayer's
25 current year assessed valuation in a taxing district by one
26 thousand, and then multiplying by the prior year's
27 consolidated tax rate.

28 Sec. 15. RETROACTIVE APPLICABILITY. This bill applies
29 retroactively to tax years beginning on or after January 1,
30 2003.

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SENATE FILE 275

H-1333

1 Amend Senate File 275, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 6, line 2, by inserting after the word
4 "located." the following: "When allocating natural
5 gas delivery taxes on deliveries of natural gas to a
6 new peak load electric power generating plant of one
7 hundred megawatts or less, one hundred percent of
8 those natural gas delivery taxes shall be allocated
9 over new gas property built directly to serve the new
10 peak load electric power generating plant. For
11 purposes of this paragraph, "new peak load electric
12 power generating plant" means an electric power
13 generating plant that operates infrequently, to meet
14 additional energy demands or to take advantage of
15 profitable energy market conditions, and that
16 initially generates electricity subject to replacement
17 generation tax under section 437A.6 on or after
18 January 1, 2003."

By BAUDLER of Adair

H-1333 FILED APRIL 14, 2003

Lost 4/24/03

Schuerer
Redfern
Bolkcom

SSB 1070

SENATE/HOUSE FILE Commerce

BY (PROPOSED DEPARTMENT OF
MANAGEMENT BILL)

Referred By
SF/HF 275

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

A BILL FOR

1 An Act relating to the taxation of utilities, including
2 establishment of a natural gas delivery tax rate for new
3 electric power generating plants, establishment of a
4 replacement transmission tax for certain municipal utilities,
5 methods of allocation of replacement generation tax incurred
6 by certain new stand-alone electric power generating plants, a
7 formula for determining taxable value for property generating
8 replacement tax annually, extending the task force, and
9 providing for applicability.

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

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1 Section 1. Section 426B.2, subsections 1 and 3, Code 2003,
2 are amended to read as follows:

3 1. The moneys in the property tax relief fund available to
4 counties for a fiscal year shall be distributed as provided in
5 this section. A county's proportion of the moneys shall be
6 equivalent to the sum of the following three factors:

7 a. One-third based upon the county's proportion of the
8 state's general population.

9 b. One-third based upon the county's proportion of the
10 state's total taxable property valuation assessed for taxes
11 payable in the previous fiscal year.

12 c. One-third based upon the county's proportion of all
13 counties' base year expenditures, as defined in section
14 331.438.

15 Moneys provided to a county for property tax relief in a
16 fiscal year, excluding replacement taxes in the property tax
17 relief fund, in accordance with this subsection shall not be
18 less than the amount provided for property tax relief in the
19 previous fiscal year.

20 3. The director of human services shall draw warrants on
21 the property tax relief fund, payable to the county treasurer
22 in the amount due to a county in accordance with subsection 1
23 and mail the warrants to the county auditors in July and
24 January of each year. Any replacement generation tax in the
25 property tax relief fund as of November 1 shall be paid to the
26 county treasurers in July and January of the fiscal year
27 beginning the following July 1.

28 Sec. 2. Section 437A.3, subsection 10, Code 2003, is
29 amended by adding the following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. "New electric power generating
31 plant" means an electric power generating plant that is owned
32 by or leased to an electric company, electric cooperative, or
33 municipal utility, and that initially generates electricity
34 subject to replacement generation tax under section 437A.6 on
35 or after January 1, 2003.

1 Sec. 3. Section 437A.3, subsection 13, Code 2003, is
2 amended by adding the following new unnumbered paragraph:
3 NEW UNNUMBERED PARAGRAPH. "Local amount" for the purposes
4 of determining the local taxable value for a new electric
5 power generating plant shall annually be determined to be
6 equal up to the first forty-four million four hundred forty-
7 four thousand four hundred forty-five dollars of the taxable
8 value of the new electric power generating plant. "Local
9 amount" for the purposes of determining the local assessed
10 value for a new electric power generating plant shall be
11 annually determined to be the percentage share of the taxable
12 value of the new electric power generating plant allocated as
13 the local amount multiplied by the total assessed value of the
14 new electric power generating plant.

15 Sec. 4. Section 437A.3, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 27A. "Taxable value" means as defined in
18 section 437A.19, subsection 2, paragraph "f".

19 Sec. 5. Section 437A.5, subsection 1, Code 2003, is
20 amended by adding the following new paragraph:

21 NEW PARAGRAPH. c. Notwithstanding paragraphs "a" and "b",
22 a natural gas delivery rate of one and eleven-hundredths of a
23 cent (.0111) per therm of natural gas is imposed on all
24 natural gas delivered to or consumed by a new electric power
25 generating plant for purposes of generating electricity within
26 the state during the tax year. However, if a new electric
27 power generating plant is exempt from a replacement generation
28 tax pursuant to section 437A.6, subsection 1, paragraph "b",
29 the natural gas delivery rate for the municipal service area
30 that the new plant serves shall instead apply for deliveries
31 of natural gas by the municipal gas utility.

32 The provisions of section 437A.5, subsection 8, shall not
33 apply to the therms of natural gas subject to the delivery tax
34 set forth in this paragraph.

35 Sec. 6. Section 437A.5, subsection 6, Code 2003, is

1 amended to read as follows:

2 6. Notwithstanding subsection 1, the natural gas delivery
3 tax rate applied to therms of natural gas delivered by a
4 taxpayer to utility property and facilities ~~which~~ that are
5 placed in service on or after January 1, 1999, and ~~which~~ that
6 are owned by or leased to and initially served by such
7 taxpayer shall be the natural gas delivery tax rate in effect
8 for the natural gas competitive service area principally
9 served by such utility property and facilities even though
10 such utility property and facilities may be physically located
11 in another natural gas competitive service area.

12 This subsection shall not apply to natural gas delivered to
13 or consumed by new electric power generating plants.

14 Sec. 7. Section 437A.7, Code 2003, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 1A. In lieu of the replacement
17 transmission tax imposed in subsection 1, a municipal utility
18 whose replacement transmission tax liability for the tax year
19 1999 was limited to the tax imposed by this section and whose
20 anticipated tax revenues from a taxpayer, as defined in
21 section 437A.15, subsection 4, for the tax year 1999, exceeded
22 its replacement transmission tax by more than one hundred
23 thousand dollars shall be subject to replacement transmission
24 tax on all transmission lines owned by or leased to the
25 municipal utility as of the last day of the tax year 2000 as
26 follows:

27 a. Three thousand twenty-five dollars per pole mile of
28 transmission line owned or leased by the taxpayer not
29 exceeding one hundred kilovolts.

30 b. Seven thousand dollars per pole mile of transmission
31 line owned or leased by the taxpayer greater than one hundred
32 fifty kilovolts but not exceeding three hundred kilovolts.

33 Sec. 8. Section 437A.8, subsection 4, Code 2003, is
34 amended by adding the following new paragraph:

35 NEW PARAGRAPH. d. Notwithstanding paragraph "a", a

1 taxpayer who owns or leases a new electric power generating
2 plant and who has no other operating property in the state of
3 Iowa except for operating property directly serving the new
4 electric power generating plant as described in section
5 437A.16, shall pay the replacement generation tax associated
6 with the allocation of the local amount to the county
7 treasurer of the county in which the local amount is located
8 and shall remit the remaining replacement generation tax, if
9 any, to the director according to paragraph "a" for remittance
10 of the tax to county treasurers. The director shall notify
11 each taxpayer on or before August 31 following a tax year of
12 its remaining replacement generation tax to be remitted to the
13 director. All remaining replacement generation tax revenues
14 received by the director shall be deposited in the property
15 tax relief fund created in section 426B.1, and shall be
16 distributed as provided in section 426B.2.

17 Sec. 9. Section 437A.15, subsection 3, paragraph a, Code
18 2003, is amended to read as follows:

19 a. All replacement taxes owed by a taxpayer shall be
20 allocated among the local taxing districts in which such
21 taxpayer's property is located in accordance with a general
22 allocation formula determined by the department of management
23 on the basis of general property tax equivalents. General
24 property tax equivalents shall be determined by applying the
25 levy rates reported by each local taxing district to the
26 department of management on or before June 30 following a tax
27 year to the assessed taxable value of taxpayer property
28 allocated to each such local taxing district as adjusted and
29 reported to the department of management in such tax year by
30 the director pursuant to section 437A.19, subsection 2. The
31 general allocation formula for a tax year shall allocate to
32 each local taxing district that portion of the replacement
33 taxes owed by each taxpayer which bears the same ratio as such
34 taxpayer's general property tax equivalents for each local
35 taxing district bears to such taxpayer's total general

1 property tax equivalents for all local taxing districts in
2 Iowa.

3 When allocating natural gas delivery taxes on deliveries of
4 natural gas to a new electric power generating plant, ten
5 percent of those natural gas delivery taxes shall be allocated
6 over new gas property built to directly serve the new electric
7 power generating plant and ninety percent of those natural gas
8 delivery taxes shall be allocated to the general property tax
9 equivalents of all gas property within the natural gas
10 competitive service area or areas where the new gas property
11 is located.

12 Sec. 10. Section 437A.15, subsection 3, Code 2003, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. f. Notwithstanding the provisions of this
15 section, if a taxpayer is a municipal utility or a municipal
16 owner of an electric power facility financed under the
17 provisions of chapter 28F or 476A, the assessed value, other
18 than the local amount, of a new electric power generating
19 plant shall be allocated to each taxing district in which the
20 municipal utility or municipal owner is serving customers and
21 has electric meters in operation in the ratio that the number
22 of operating electric meters of the municipal utility or
23 municipal owner located in the taxing district bears to the
24 total number of operating electric meters of the municipal
25 utility or municipal owner in the state as of January 1 of the
26 tax year. If the municipal utility or municipal owner of an
27 electric power facility financed under the provisions of
28 chapter 28F or 476A has a new electric power generating plant
29 but the municipal utility or municipal owner has no operating
30 electric meters in this state, the municipal utility or
31 municipal owner shall pay the replacement generation tax
32 associated with the new electric power generating plant
33 allocation of the local amount to the county treasurer of the
34 county in which the local amount is located and shall remit
35 the remaining replacement generation tax, if any, to the

1 director at the times contained in section 437A.8, subsection
2 4, for remittance of the tax to the county treasurers. All
3 remaining replacement generation tax revenues received by the
4 director shall be deposited in the property tax relief fund
5 created in section 426B.1, and shall be distributed as
6 provided in section 426B.2.

7 Sec. 11. Section 437A.15, subsection 7, Code 2003, is
8 amended to read as follows:

9 7. ~~On or before July 17, 1998, the~~ The department of
10 management, in consultation with the department of revenue and
11 finance, shall ~~initiate and~~ coordinate the ~~establishment of a~~
12 utility replacement tax task force and provide staffing
13 assistance to the task force. It is the intent of the general
14 assembly that the task force include representatives of the
15 department of management, department of revenue and finance,
16 electric companies, natural gas companies, municipal
17 utilities, electric cooperatives, counties, cities, school
18 boards, and industrial, commercial, and residential consumers,
19 and other appropriate stakeholders.

20 The task force shall study the effects of the replacement
21 tax on local taxing authorities, local taxing districts,
22 consumers, and taxpayers and the department of management
23 shall report to the general assembly by January 1 of each year
24 through January 1, ~~2003~~ 2005, the results of the study and the
25 specific recommendations of the task force for modifications
26 to the replacement tax, if any, which will further the
27 purposes of tax neutrality for local taxing authorities, local
28 taxing districts, taxpayers, and consumers, consistent with
29 the stated purposes of this chapter. The department of
30 management shall also report to the legislative council by
31 November 15 of each year through ~~2002~~ 2004, the status of the
32 task force study and any recommendations.

33 Sec. 12. Section 437A.19, subsection 2, paragraph f, Code
34 2003, is amended to read as follows:

35 f. In the event the base year assessed value of taxpayer

1 property is adjusted as a result of taxpayer appeals, reduce
2 the assessed value of taxpayer property in each local taxing
3 district to reflect such adjustment. The adjustment shall be
4 allocated in proportion to the allocation of the taxpayer's
5 assessed value among the local taxing districts determined
6 without regard to this adjustment. ~~If-an~~ An adjustment to the
7 base year assessed value of taxpayer property ~~is-finally~~
8 ~~determined-on-or-before-September-30,1999, it shall be~~
9 ~~reflected-in-the-January-1,1999, assessed value,--Otherwise,~~
10 any-such-adjustment shall be made as of January 1 of the year
11 following the date on which the adjustment is finally
12 determined.

13 In no event shall the adjustments set forth in this
14 subsection reduce the assessed value of taxpayer property in
15 any local taxing district below zero.

16 The director, ~~on-or-before-October-31,1999, in-the-case-of~~
17 ~~January-1,1999, assessed values,~~ and on or before August 31
18 of each subsequent assessment year, shall report to the
19 department of management and to the auditor of each county the
20 adjusted assessed value of taxpayer property as of January 1
21 of such assessment year for each local taxing district,
22 ~~provided-that-for-a-taxpayer-whose-base-year-as-defined-in~~
23 ~~section-437A.3, subsection-1, changed-from-1997-to-1998, the~~
24 ~~director shall, before-May-1,2000, report-to-the-department~~
25 ~~of-management-and-to-the-auditor-of-each-county, the-assessed~~
26 ~~values-as-of-January-1,1999.~~ For purposes of this
27 subsection, the assessed value of taxpayer property in each
28 local taxing district subject to adjustment under this section
29 by the director means the assessed value of such property as
30 of the preceding January 1 as determined and allocated among
31 the local taxing districts by the director.

32 Nothing in this chapter shall be interpreted to authorize
33 local taxing authorities to exclude from the calculation of
34 levy rates the adjusted-assessed taxable value of taxpayer
35 property reported to county auditors pursuant to this

1 subsection.

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

1 and decreases in total taxable therms of natural gas under
2 Code section 437A.5, subsection 8.

3 The bill provides, in Code section 437A.7, a replacement
4 transmission tax at increased rates on a municipal utility
5 whose anticipated tax revenue exceeded its replacement
6 transmission tax by more than \$100,000 for tax year 1999. If
7 such a utility acquires transmission lines in 2001 or
8 thereafter, those lines will be subject to tax at the rates in
9 Code section 437A.7, subsection 1, paragraphs "a" through "d".

10 The bill adds a new paragraph to Code section 437A.8,
11 subsection 4, to provide for the remission of replacement
12 generation tax in cases of certain new electric power
13 generating plants. The bill provides a method for allocation
14 of replacement generation tax incurred by a stand-alone new
15 electric power generating plant whereby the tax attributed to
16 the local amount as defined in Code section 437A.3, subsection
17 13, is paid to the county treasurer and the remaining tax, if
18 any, is paid to the director who deposits the tax receipts
19 into the property tax relief fund created in Code section
20 426B.1 for distribution as provided in Code section 426B.2.
21 This provision is applicable even if the taxpayer has other
22 Iowa operating property as long as the taxpayer's other Iowa
23 operating property is limited to operating property directly
24 serving the new electric power generating plant. The
25 replacement generation tax is placed in the property tax
26 relief fund for distribution, along with other state moneys,
27 to counties to reimburse the counties for their qualified
28 mental health, mental retardation, and developmental
29 disabilities services expenditures.

30 The bill provides in Code section 426B.2 that in
31 determining whether property tax relief fund moneys provided
32 to a county are more or less than in the previous fiscal year,
33 replacement taxes shall not be considered in such
34 determination. The bill also amends Code section 426B.2,
35 subsection 3, to provide that all replacement tax receipts in

1 the property tax relief fund as of November 1 of the calendar
2 year immediately preceding the following fiscal year shall be
3 paid to the county treasurers in July and January of each
4 year.

5 The bill provides in Code section 437A.15, subsection 3,
6 for the allocation of gas delivery taxes on deliveries of
7 natural gas to a new electric power generating plant. Ten
8 percent of the natural gas delivery taxes shall be allocated
9 over new gas properties built to directly serve the new plant
10 and the remaining 90 percent shall be allocated to the general
11 property tax equivalents of all gas property within the
12 natural gas competitive service area or areas where the new
13 gas property is located.

14 The bill adds a new paragraph to Code section 437A.15,
15 subsection 3, pertaining to the assessed value of a new
16 electric power generating plant owned by a municipal utility
17 or municipal owner. The bill provides a method of allocation
18 of replacement generation tax incurred by stand-alone electric
19 power generating plants of municipal utilities and municipal
20 owners who have an electric power facility financed under Code
21 chapter 28F or 476A and provides a method of allocation of
22 replacement generation tax on the basis of operating electric
23 meters with respect to other municipal utilities and municipal
24 owners who have an electric power facility financed under Code
25 chapter 28F or 476A.

26 The bill adds a new paragraph to Code section 437A.19 to
27 adjust annually the assessed value for all gas and electric
28 utility property by determining a taxable value of such
29 property on an annual basis, in order to bring the general
30 property tax equivalent for properties subject to the
31 replacement tax more in balance with the actual replacement
32 tax generated by those properties. The new paragraph provides
33 a formula to determine the taxable value for property
34 generating a replacement tax on an annual basis and a method
35 for determining such value if the property is generating tax

1 for the first time. The bill also includes definitions for
2 "taxable value" and certain terms used only in Code section
3 437A.19. A new subsection is also added to the definitions in
4 437A.3 for "taxable value" to refer to the definition in
5 437A.19, since that term applies to all of Code chapter 437A.

6 The bill also extends the utility replacement tax task
7 force by two years, by requiring that it report its activities
8 to the general assembly by January 1 of each year through
9 January 1, 2005.

10 The bill applies retroactively to tax years beginning on or
11 after January 1, 2003.


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THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF MANAGEMENT
CYNTHIA P. EISENHAUER, DIRECTOR

MEMORANDUM

TO: MEMBERS OF THE GENERAL ASSEMBLY
FROM: CYNTHIA EISENHAUER 
RE: 2003 PROPOSED UTILITY REPLACEMENT TAX TASK FORCE LEGISLATION
DATE: JANUARY 31, 2003

The provisions of this bill are intended to enhance the operation of the utility tax replacement system and to correct certain omissions in the originally passed legislation. Major provisions of the proposal are listed below.

- Provides a uniform gas delivery tax rate on natural gas delivered to all new gas-fired electric generators, removing tax costs as a factor in competition. (Exceptions apply to certain municipal-owned gas facilities.)
- Removes gas deliveries to new gas-fired electric generating plants from tax re-calculation thresholds, opening the door for millions of dollars of new excise tax revenue for local governments. This increase is consistent with what would have happened under the previous property taxation system.
- Provides that a new taxable utility valuation be provided to county auditors. This will greatly enhance local government budgeting processes by providing a valuation which will more closely approximate a property tax equivalent.
- Increases the replacement transmission tax rates for a non-Iowa municipal utility whose replacement tax is considerably less than what property taxes would have been under the previous system. Based on current shortfalls, this will provide an additional \$124,000 to local governments in four Iowa counties.
- Extends the existence of the Utility Replacement Tax Task Force for another two years.
- Provides for tax allocation methodologies for stand-alone electric power generating plants. If the company has no other Iowa property, then excess amounts are paid to the Chapter 426B mental health property tax relief fund. If a municipal-owned generating plant has no other taxable property, then an operating meters formula is used to distribute the tax.

SENATE FILE 275

AN ACT

RELATING TO THE TAXATION OF UTILITIES, INCLUDING ESTABLISHMENT OF A NATURAL GAS DELIVERY TAX RATE FOR NEW ELECTRIC POWER GENERATING PLANTS, ESTABLISHMENT OF A REPLACEMENT TRANSMISSION TAX FOR CERTAIN MUNICIPAL UTILITIES, METHODS OF ALLOCATION OF REPLACEMENT GENERATION TAX INCURRED BY CERTAIN NEW STAND-ALONE ELECTRIC POWER GENERATING PLANTS, A FORMULA FOR DETERMINING TAXABLE VALUE FOR PROPERTY GENERATING REPLACEMENT TAX ANNUALLY, EXTENDING THE TASK FORCE, AND PROVIDING FOR APPLICABILITY.

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

Section 1. Section 426B.2, subsections 1 and 3, Code 2003, are amended to read as follows:

1. The moneys in the property tax relief fund available to counties for a fiscal year shall be distributed as provided in this section. A county's proportion of the moneys shall be equivalent to the sum of the following three factors:

a. One-third based upon the county's proportion of the state's general population.

b. One-third based upon the county's proportion of the state's total taxable property valuation assessed for taxes payable in the previous fiscal year.

c. One-third based upon the county's proportion of all counties' base year expenditures, as defined in section 331.438.

Moneys provided to a county for property tax relief in a fiscal year, excluding replacement taxes in the property tax relief fund, in accordance with this subsection shall not be less than the amount provided for property tax relief in the previous fiscal year.

3. The director of human services shall draw warrants on the property tax relief fund, payable to the county treasurer in the amount due to a county in accordance with subsection 1 and mail the warrants to the county auditors in July and January of each year. Any replacement generation tax in the property tax relief fund as of November 1 shall be paid to the county treasurers in July and January of the fiscal year beginning the following July 1.

Sec. 2. Section 437A.3, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 4A. "Cogeneration facility" means a facility with a capacity of two hundred megawatts or less that uses the same energy source for the sequential generation of electrical or mechanical power in combination with steam, heat, or other forms of useful energy and, except for ownership, meets the criteria to be a qualifying cogeneration facility as defined in the federal Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 2601 et seq., and related federal regulations.

Sec. 3. Section 437A.3, subsection 10, Code 2003, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. "New electric power generating plant" means an electric power generating plant that is owned by or leased to an electric company, electric cooperative, or municipal utility, and that initially generates electricity subject to replacement generation tax under section 437A.6 on or after January 1, 2003.

Sec. 4. Section 437A.3, subsection 13, Code 2003, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. "Local amount" for the purposes of determining the local taxable value for a new electric power generating plant shall annually be determined to be equal up to the first forty-four million four hundred forty-four thousand four hundred forty-five dollars of the taxable value of the new electric power generating plant. "Local

amount" for the purposes of determining the local assessed value for a new electric power generating plant shall be annually determined to be the percentage share of the taxable value of the new electric power generating plant allocated as the local amount multiplied by the total assessed value of the new electric power generating plant.

Sec. 5. Section 437A.3, subsection 21, paragraph a, subparagraph (1), subparagraph subdivision (am), Code 2003, is amended to read as follows:

(am) The city of Waukee in Dallas county and the area within two miles of the city limits of Waukee as of January 1, 1999, not including any part of the cities of Clive, Urbandale, or West Des Moines.

Sec. 6. Section 437A.3, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 27A. "Taxable value" means as defined in section 437A.19, subsection 2, paragraph "f".

Sec. 7. Section 437A.5, subsection 1, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. Notwithstanding paragraphs "a" and "b", a natural gas delivery rate of one and eleven-hundredths of a cent (.0111) per therm of natural gas is imposed on all natural gas delivered to or consumed by a new electric power generating plant for purposes of generating electricity within the state during the tax year. However, if a new electric power generating plant is exempt from a replacement generation tax pursuant to section 437A.6, subsection 1, paragraph "b", the natural gas delivery rate for the municipal service area that the new plant serves shall instead apply for deliveries of natural gas by the municipal gas utility.

The provisions of subsection 8, shall not apply to the therms of natural gas subject to the delivery tax set forth in this paragraph.

If the new electric power generating plant is part of a cogeneration facility, the natural gas delivery rate for that

plant shall be the lesser of the natural gas delivery rate established in this paragraph or the rate per therm of natural gas as in effect at the time of the initial natural gas deliveries to the plant for the natural gas competitive service area where the new electric power generating plant is located.

Sec. 8. Section 437A.5, subsection 6, Code 2003, is amended to read as follows:

6. Notwithstanding subsection 1, the natural gas delivery tax rate applied to therms of natural gas delivered by a taxpayer to utility property and facilities which that are placed in service on or after January 1, 1999, and which that are owned by or leased to and initially served by such taxpayer shall be the natural gas delivery tax rate in effect for the natural gas competitive service area principally served by such utility property and facilities even though such utility property and facilities may be physically located in another natural gas competitive service area.

This subsection shall not apply to natural gas delivered to or consumed by new electric power generating plants.

Sec. 9. Section 437A.7, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. In lieu of the replacement transmission tax imposed in subsection 1, a municipal utility whose replacement transmission tax liability for the tax year 1999 was limited to the tax imposed by this section and whose anticipated tax revenues from a taxpayer, as defined in section 437A.15, subsection 4, for the tax year 1999, exceeded its replacement transmission tax by more than one hundred thousand dollars shall be subject to replacement transmission tax on all transmission lines owned by or leased to the municipal utility as of the last day of the tax year 2000 as follows:

a. Three thousand twenty-five dollars per pole mile of transmission line owned or leased by the taxpayer not exceeding one hundred kilovolts.

b. Seven thousand dollars per pole mile of transmission line owned or leased by the taxpayer greater than one hundred fifty kilovolts but not exceeding three hundred kilovolts.

Sec. 10. Section 437A.8, subsection 4, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. Notwithstanding paragraph "a", a taxpayer who owns or leases a new electric power generating plant and who has no other operating property in the state of Iowa except for operating property directly serving the new electric power generating plant as described in section 437A.16, shall pay the replacement generation tax associated with the allocation of the local amount to the county treasurer of the county in which the local amount is located and shall remit the remaining replacement generation tax, if any, to the director according to paragraph "a" for remittance of the tax to county treasurers. The director shall notify each taxpayer on or before August 31 following a tax year of its remaining replacement generation tax to be remitted to the director. All remaining replacement generation tax revenues received by the director shall be deposited in the property tax relief fund created in section 426B.1, and shall be distributed as provided in section 426B.2.

Sec. 11. Section 437A.15, subsection 3, paragraph a, Code 2003, is amended to read as follows:

a. All replacement taxes owed by a taxpayer shall be allocated among the local taxing districts in which such taxpayer's property is located in accordance with a general allocation formula determined by the department of management on the basis of general property tax equivalents. General property tax equivalents shall be determined by applying the levy rates reported by each local taxing district to the department of management on or before June 30 following a tax year to the assessed taxable value of taxpayer property allocated to each such local taxing district as adjusted and reported to the department of management in such tax year by

the director pursuant to section 437A.19, subsection 2. The general allocation formula for a tax year shall allocate to each local taxing district that portion of the replacement taxes owed by each taxpayer which bears the same ratio as such taxpayer's general property tax equivalents for each local taxing district bears to such taxpayer's total general property tax equivalents for all local taxing districts in Iowa.

When allocating natural gas delivery taxes on deliveries of natural gas to a new electric power generating plant, ten percent of those natural gas delivery taxes shall be allocated over new gas property built to directly serve the new electric power generating plant and ninety percent of those natural gas delivery taxes shall be allocated to the general property tax equivalents of all gas property within the natural gas competitive service area or areas where the new gas property is located.

Sec. 12. Section 437A.15, subsection 3, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. Notwithstanding the provisions of this section, if a taxpayer is a municipal utility or a municipal owner of an electric power facility financed under the provisions of chapter 28F or 476A, the assessed value, other than the local amount, of a new electric power generating plant shall be allocated to each taxing district in which the municipal utility or municipal owner is serving customers and has electric meters in operation in the ratio that the number of operating electric meters of the municipal utility or municipal owner located in the taxing district bears to the total number of operating electric meters of the municipal utility or municipal owner in the state as of January 1 of the tax year. If the municipal utility or municipal owner of an electric power facility financed under the provisions of chapter 28F or 476A has a new electric power generating plant but the municipal utility or municipal owner has no operating

electric meters in this state, the municipal utility or municipal owner shall pay the replacement generation tax associated with the new electric power generating plant allocation of the local amount to the county treasurer of the county in which the local amount is located and shall remit the remaining replacement generation tax, if any, to the director at the times contained in section 437A.8, subsection 4, for remittance of the tax to the county treasurers. All remaining replacement generation tax revenues received by the director shall be deposited in the property tax relief fund created in section 426B.1, and shall be distributed as provided in section 426B.2.

Sec. 13. Section 437A.15, subsection 7, Code 2003, is amended to read as follows:

7. ~~On or before July 17, 1998, the~~ The department of management, in consultation with the department of revenue and finance, shall ~~initiate and~~ coordinate the ~~establishment of a~~ utility replacement tax task force and provide staffing assistance to the task force. It is the intent of the general assembly that the task force include representatives of the department of management, department of revenue and finance, electric companies, natural gas companies, municipal utilities, electric cooperatives, counties, cities, school boards, and industrial, commercial, and residential consumers, and other appropriate stakeholders.

The task force shall study the effects of the replacement tax on local taxing authorities, local taxing districts, consumers, and taxpayers and the department of management shall report to the general assembly by January 1 of each year through January 1, ~~2003~~ 2005, the results of the study and the specific recommendations of the task force for modifications to the replacement tax, if any, which will further the purposes of tax neutrality for local taxing authorities, local taxing districts, taxpayers, and consumers, consistent with the stated purposes of this chapter. The department of

management shall also report to the legislative council by November 15 of each year through ~~2002~~ 2004, the status of the task force study and any recommendations.

Sec. 14. Section 437A.19, subsection 2, paragraph f, Code 2003, is amended to read as follows:

f. In the event the base year assessed value of taxpayer property is adjusted as a result of taxpayer appeals, reduce the assessed value of taxpayer property in each local taxing district to reflect such adjustment. The adjustment shall be allocated in proportion to the allocation of the taxpayer's assessed value among the local taxing districts determined without regard to this adjustment. ~~if an~~ An adjustment to the base year assessed value of taxpayer property ~~is finally determined on or before September 30, 1999, it shall be reflected in the January 1, 1999, assessed value. Otherwise,~~ any such adjustment shall be made as of January 1 of the year following the date on which the adjustment is finally determined.

In no event shall the adjustments set forth in this subsection reduce the assessed value of taxpayer property in any local taxing district below zero.

~~The director, on or before October 31, 1999, in the case of January 1, 1999, assessed values, and on or before August 31 of each subsequent assessment year, shall report to the department of management and to the auditor of each county the adjusted assessed value of taxpayer property as of January 1 of such assessment year for each local taxing district, provided that for a taxpayer whose base year as defined in section 437A.37 subsection 17 changed from 1997 to 1998, the director shall, before May 1, 2000, report to the department of management and to the auditor of each county, the assessed values as of January 1, 1999.~~ For purposes of this subsection, the assessed value of taxpayer property in each local taxing district subject to adjustment under this section by the director means the assessed value of such property as

of the preceding January 1 as determined and allocated among the local taxing districts by the director.

Nothing in this chapter shall be interpreted to authorize local taxing authorities to exclude from the calculation of levy rates the adjusted-assessed taxable value of taxpayer property reported to county auditors pursuant to this subsection.

In addition to reporting the assessed values as described in this subsection, the director, on or before October 31, 2003, in the case of January 1, 2003, values, and on or before August 31 of each subsequent assessment year, shall also report to the department of management and to the auditor of each county the taxable value of taxpayer property as of January 1 of such assessment year for each local taxing district. For purposes of this chapter, "taxable value" means the value for all property subject to the replacement tax annually determined by the director, by dividing the estimated annual replacement tax liability for that property by the prior year's consolidated taxing district rate for the taxing district where that property is located, then multiplying the quotient by one thousand. The prior year's replacement tax amounts for that property shall be used to estimate the current tax year's taxable value for that property. If property not subject to any threshold recalculation is generating replacement tax for the first time, or if a taxpayer's replacement tax will not be changed by any threshold recalculation and the taxpayer believes that the replacement tax will vary more than ten percent from the previous tax year, the taxpayer shall report to the director by July 15 of the current calendar year, on forms prescribed by the director, the estimated replacement tax liability that will be attributable to that property for the current tax year. For the purposes of computing the taxable value of property in a taxing district, the taxing district's share of the estimated replacement tax liability shall be the taxing

district's percentage share of the "assessed value allocated by property tax equivalent" multiplied by the total estimated replacement tax. "Assessed value allocated by property tax equivalent" shall be determined by dividing the taxpayer's current year assessed valuation in a taxing district by one thousand, and then multiplying by the prior year's consolidated tax rate.

Sec. 15. RETROACTIVE APPLICABILITY. This bill applies retroactively to tax years beginning on or after January 1, 2003.

MARY E. KRAMER
President of the Senate

CHRISTOPHER C. RANTS
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 275, Eightieth General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2003

THOMAS J. VILSACK
Governor