

FILED FEB 7 2005

SENATE FILE
BY BOLKCOM

121

WAYS & MEANS

Passed Senate, Date _____

Passed House, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing an income tax credit for purchasing new fuel
2 economy vehicles and including effective and retroactive
3 applicability date provisions.

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

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SF 121 WAYS & MEANS

TLSB 2277SS 81

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1 Section 1. NEW SECTION. 422.11I FUEL ECONOMY TAX CREDIT.

2 1. The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a fuel economy tax credit equal to five hundred dollars for
5 the purchase by the taxpayer of each new motor vehicle which
6 has attached a fuel economy label, as required by the United
7 States environmental protection agency, listing the fuel
8 economy rating for city driving of at least thirty miles per
9 gallon. For purposes of this section, "new motor vehicle"
10 means a motor vehicle as defined in section 321.1 which has
11 never before been sold at retail.

12 2. Any credit in excess of the tax liability shall be
13 refunded. In lieu of claiming a refund, a taxpayer may elect
14 to have the overpayment shown on the taxpayer's final,
15 completed return credited to the tax liability for the
16 following taxable year.

17 3. An individual may claim a fuel economy tax credit
18 allowed a partnership, limited liability company, S
19 corporation, estate, or trust electing to have the income
20 taxed directly to the individual. The amount claimed by the
21 individual shall be based upon the pro rata share of the
22 individual's earnings of the partnership, limited liability
23 company, S corporation, estate, or trust.

24 Sec. 2. Section 422.33, Code 2005, is amended by adding
25 the following new subsection:

26 NEW SUBSECTION. 15. a. The taxes imposed under this
27 division shall be reduced by a fuel economy tax credit equal
28 to five hundred dollars for the purchase by the taxpayer of
29 each new motor vehicle which has attached a fuel economy
30 label, as required by the United States environmental
31 protection agency, listing the fuel economy rating for city
32 driving of at least thirty miles per gallon. For purposes of
33 this subsection, "new motor vehicle" means a motor vehicle as
34 defined in section 321.1 which has never before been sold at
35 retail.

1 b. Any credit in excess of the tax liability shall be
2 refunded. In lieu of claiming a refund, a taxpayer may elect
3 to have the overpayment shown on the taxpayer's final,
4 completed return credited to the tax liability for the
5 following taxable year.

6 Sec. 3. EFFECTIVE AND APPLICABILITY DATE. This Act, being
7 deemed of immediate importance, takes effect upon enactment
8 and applies retroactively to January 1, 2005, for tax years
9 beginning on or after that date.

10 EXPLANATION

11 This bill provides a refundable \$500 individual and
12 corporate income tax credit for each new motor vehicle
13 purchased by the taxpayer which has listed on the required
14 fuel economy label attached to the motor vehicle a fuel
15 economy rating of 30 miles per gallons or more for city
16 driving.

17 The bill takes effect upon enactment and applies
18 retroactively to January 1, 2005, for tax years beginning on
19 or after that date.

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**EIGHTY FIRST GENERAL ASSEMBLY
2005 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

MARCH 28, 2005

**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

SF 121 - Automobile Fuel Economy Tax Credit (LSB 2277 SS)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - Type Version Information Here
Requested by Senator Brad Zaun and Senator Mark Ziemann

Description

Senate File 121 creates a refundable \$500 corporate or personal income tax credit for each new motor vehicle purchased which has a city driving fuel economy rating of 30 miles per gallon or more. The Bill is retroactive to January 1, 2005.

Assumptions

1. Approximately 130,000 new vehicles are registered in Iowa each year.
2. Approximately 4,700 new vehicles will qualify (3.6%).
3. The credit will be available for new vehicles purchased beginning January 1, 2005.
4. As a refundable credit, all earned credits will be redeemed.
5. Due to the implementation date, all calendar year 2005 fiscal impact will occur in FY 2006.
6. Calendar year 2006 earned credits will impact FY 2007.

Fiscal Impact

The refundable tax credit created in SF 121 will reduce net General Fund revenue by \$2.4 million per year, beginning FY 2006.

Sources

Department of Revenue
National Automobile Dealers Association
United States Environmental Protection Agency (www.fueleconomy.gov)

/s/ Holly M. Lyons

March 24, 2005

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