

FILED MAR 30 2006

SENATE FILE

2398

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2077)

Passed Senate, Date 5-1-06

Passed House, Date 5-3-06

Vote: Ayes 46 Nays 1

Vote: Ayes 91 Nays 3

Re-passed
5-3-06 48-1 Approved _____

A BILL FOR

1 An Act providing a sales tax exemption for purchases of solar
2 energy equipment.

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

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SF 2398

TLSB 5730SV 81

mg/cf/24

1 Section 1. Section 423.3, Code Supplement 2005, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 89. The sales price from the sale of
4 solar energy equipment. For purposes of this subsection,
5 "solar energy equipment" means equipment capable of collecting
6 and converting incident solar radiation into thermal,
7 mechanical, or electrical energy or equipment that transforms
8 such converted solar energy to a storage point or to a point
9 of use.

10 EXPLANATION

11 This bill exempts from the sales tax the sale of equipment
12 that is capable of collecting and converting solar energy into
13 another form of energy or equipment that transforms this
14 converted solar energy to a storage point or a point of use.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2398 - Solar Energy Equipment Sales Tax Exemption (LSB 5730 SV)
Analyst: Jeff Robinson (Phone: [515] 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Senator Jeff Danielson

Description

Senate File 2398 exempts solar energy equipment from State and local option sales taxes. The Bill is effective July 1, 2006.

Assumptions

The two primary types of solar energy systems are photovoltaic and solar thermal. Photovoltaic converts solar energy into electricity and solar thermal stores solar energy primarily for heating purposes.

Photovoltaic:

1. The average size of new photovoltaic system will be two kilowatts and will cost \$20,000.
2. Recently enacted federal tax credit legislation related to alternative energy will spur growth in installations.
3. Fifteen systems will be installed in calendar year 2006 and thirty systems in calendar year 2007. After that, installation will grow 10.0% per year.
4. The State sales tax rate is 5.0% and the average local option sales tax rate is 1.2%.

Solar Thermal:

1. The average cost of a new solar thermal system will be \$6,000.
2. Recently enacted federal tax credit legislation related to alternative energy will spur growth in installations.
3. Ten systems will be installed in calendar year 2006 and fifteen in 2007. After that, installations will grow 10.0% per year.
4. The State sales tax rate is 5.0% and the average local option sales tax rate is 1.2%.

Fiscal Impact

The sales tax exemption contained in SF 2398 will reduce FY 2007 net General Fund receipts by approximately \$18,000 and \$34,500 in FY 2008. The reduction grows 10.0% per year thereafter.

The exemption will also reduce local option sales tax revenue less than \$10,000 per year.

Sources

Department of Revenue
Department of Natural Resources
Minnesota Department of Revenue

/s/ Holly M. Lyons

April 3, 2006

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.

11. The average cost of an enterprise zone housing project award is \$183,000.
12. A project does not take place in every enterprise zone.
13. All awards will be exercised.
14. No specific project was used in the estimate.

Fiscal Impact

Senate File 2183, as Amended by S-5135, is estimated to reduce State General Fund revenue as follows:

- \$17.5 million in FY 2008
- \$21.6 million in FY 2009
- \$25.8 million in FY 2010
- \$29.9 million in FY 2011
- \$29.9 million in FY 2012

Insufficient information is available to determine if any specific project would have a fiscal impact in FY 2007. In order for a project to have fiscal impact on FY 2007, a zone would have to be applied for, certified by the DED, the eligible business would have to have the project approved, begin construction, and apply for and receive a sales and use tax refund during FY 2007.

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending salary dollars within the State and growth in other businesses created and expanded to meet the needs of the new business. Negative indirect impacts may include the effect of the new business on other Iowa businesses when competing for labor, capital, and sales, as well as the additional demand for schools, roads, police and fire protection, and other government services that necessarily result from higher levels of employment and population.

Source

Department of Economic Development

/s/ Holly M. Lyons

April 3, 2006

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.

SENATE FILE 2398

H-8641

1 Amend Senate File 2398, as passed by the Senate, as
2 follows:

3 1. Page 1, lines 5 and 6, by striking the words
4 "capable of collecting and converting" and inserting
5 the following: "that is primarily used to collect and
6 convert".

7 2. Page 1, line 7, by striking the word
8 "transforms" and inserting the following: "is
9 primarily used to transform".

By STRUYK of Pottawattamie

H-8641 FILED MAY 3, 2006
ADOPTED

**HOUSE AMENDMENT TO
SENATE FILE 2398**

S-5272

1 Amend Senate File 2398, as passed by the Senate, as
2 follows:

3 1. Page 1, lines 5 and 6, by striking the words
4 "capable of collecting and converting" and inserting
5 the following: "that is primarily used to collect and
6 convert".

7 2. Page 1, line 7, by striking the word
8 "transforms" and inserting the following: "is
9 primarily used to transform".

RECEIVED FROM THE HOUSE

S-5272 FILED MAY 3, 2006
CONCURRED

primarily used to transform such converted solar energy to a storage point or to a point of use.

JEFFREY M. LAMBERTI
President of the Senate

CHRISTOPHER C. RANTS
Speaker of the House

SENATE FILE 2398

AN ACT

PROVIDING A SALES TAX EXEMPTION FOR PURCHASES OF SOLAR ENERGY EQUIPMENT.

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

Section 1. Section 423.3, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 89. The sales price from the sale of solar energy equipment. For purposes of this subsection, "solar energy equipment" means equipment that is primarily used to collect and convert incident solar radiation into thermal, mechanical, or electrical energy or equipment that is

I hereby certify that this bill originated in the Senate and is known as Senate File 2398, Eighty-first General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2006

THOMAS J. VILSACK
Governor