

House Study Bill 104

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

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

A BILL FOR

1 An Act relating to changes in the utility replacement tax law by
2 redefining a new electric power generating plant, extending
3 the life of the utility replacement tax task force, and
4 requiring notification by the taxpayer to the department of
5 revenue and local taxing district upon transfer of utility
6 property.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
8 TLSB 1282XD 82
9 mg/je/5

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1 1 Section 1. Section 437A.3, subsection 11, unnumbered
1 2 paragraph 2, Code 2007, is amended to read as follows:
1 3 "New electric power generating plant" means ~~an~~ any of the
1 4 following:
1 5 a. An electric power generating plant that is owned by or
1 6 leased to an electric company, electric cooperative, or
1 7 municipal utility, and that initially generates electricity
1 8 subject to replacement generation tax under section 437A.6 on
1 9 or after January 1, 2003.
1 10 b. An electric power generating plant that is owned by or
1 11 leased to an electric company, electric cooperative, or
1 12 municipal utility, that initially generated electricity
1 13 subject to replacement generation tax under section 437A.6
1 14 before January 1, 2003, and that is sold, leased, or
1 15 transferred, in full or in part, on or after January 1, 2003.
1 16 If any portion of an electric power generating plant is sold,
1 17 the entire plant shall be treated as if it were a new electric
1 18 power generating plant.
1 19 Sec. 2. Section 437A.15, subsection 7, unnumbered
1 20 paragraph 2, Code 2007, is amended to read as follows:
1 21 The task force shall study the effects of the replacement
1 22 tax on local taxing authorities, local taxing districts,
1 23 consumers, and taxpayers through January 1, ~~2007~~ 2010. If the
1 24 task force recommends modifications to the replacement tax
1 25 that will further the purposes of tax neutrality for local
1 26 taxing authorities, local taxing districts, taxpayers, and
1 27 consumers, consistent with the stated purposes of this
1 28 chapter, the department of management shall transmit those
1 29 recommendations to the general assembly.
1 30 Sec. 3. Section 437A.19, subsection 1, paragraph a, Code
1 31 2007, is amended to read as follows:
1 32 a. A taxpayer whose property is subject to the statewide
1 33 property tax shall report to the director by July 1, 1999, and
1 34 by May 1 of each subsequent tax year, on forms prescribed by
1 35 the director, the book value, as of the beginning and end of
2 1 the preceding calendar year, of all of the following:
2 2 (1) The local amount of any major addition by local taxing
2 3 district.
2 4 (2) The statewide amount of any major addition without
2 5 notation of location.
2 6 (3) Any building in Iowa at acquisition cost of more than
2 7 ten million dollars ~~which that~~ which was originally placed in
2 8 service by the taxpayer prior to January 1, 1998, and ~~which~~
2 9 ~~that~~ that was transferred or disposed of in the preceding calendar
2 10 year, ~~without notation of location by local taxing district.~~
2 11 (4) Any electric power generating plant in Iowa at
2 12 acquisition cost of more than ten million dollars ~~which that~~
2 13 which was originally placed in service by the taxpayer prior to
2 14 January 1, 1998, and ~~which that~~ which was transferred or disposed of
2 15 in the preceding calendar year, ~~without notation of location~~

2 16 by local taxing district.
2 17 (5) All other taxpayer property without notation of
2 18 location.
2 19 (6) The local amount of any major addition eligible for
2 20 the urban revitalization exemption provided for in chapter
2 21 404, by situs.
2 22 (7) All other transferred taxpayer property, in addition
2 23 to any transferred property reported under subparagraphs (3)
2 24 and (4), by local taxing district.
2 25 Sec. 4. Section 437A.19, subsection 2, paragraphs b and c,
2 26 Code 2007, are amended to read as follows:
2 27 b. ~~(1)~~ Adjust the assessed value of taxpayer property in
2 28 each local taxing district by allocating the change in book
2 29 value during the preceding calendar year of the statewide
2 30 amount and all other taxpayer property described in subsection
2 31 1, paragraph "a", subparagraph (5), to the assessed value of
2 32 all taxpayer property in the state pro rata according to its
2 33 preadjustment value. Any value for a taxpayer owning, or
2 34 owning an interest in, a new electric power generating plant
2 35 in excess of a local amount, where such taxpayer owns no other
3 1 taxpayer property in this state, shall not be allocated to any
3 2 local taxing districts.
3 3 (2) ~~If, during the preceding calendar year, a taxpayer~~
3 4 ~~transferred an electric power generating plant or an interest~~
3 5 ~~in an electric power generating plant to a taxpayer who owned~~
3 6 ~~no other taxpayer property in this state as of the end of such~~
3 7 ~~preceding calendar year, in lieu of the adjustment provided in~~
3 8 ~~subparagraph (1), the director shall allocate the transferee~~
3 9 ~~taxpayer's change in book value of the statewide amount during~~
3 10 ~~such preceding calendar year, if any, among local taxing~~
3 11 ~~districts in proportion to the allocation of the transferor's~~
3 12 ~~assessed value among local taxing districts as of the end of~~
3 13 ~~such preceding calendar year.~~
3 14 c. In the case of taxpayer property described in
3 15 subsection 1, paragraph "a", subparagraphs (3), ~~and (4), and~~
3 16 (7), decrease the assessed value of taxpayer property in each
3 17 local taxing district by the ~~taxable assessed value of such~~
3 18 ~~property within each such local taxing district on January 1,~~
3 19 ~~1998 reported within such local taxing district.~~

3 20 EXPLANATION

3 21 This bill contains recommendations made by the utility
3 22 replacement tax task force.

3 23 The bill adds to the definition of "new electric power
3 24 generating plant" an electric power generating plant that was
3 25 subject to the utility replacement tax prior to January 1,
3 26 2003, and that is sold or transferred in whole or in part on
3 27 or after January 1, 2003. By operation of the definition of
3 28 "local amount", this will result in the first \$44,444,445 of
3 29 taxable value and associated taxes on such a power generating
3 30 plant remaining with the local taxing authorities where the
3 31 site of the plant is located. Current law would have kept
3 32 only a fraction of that amount with the local taxing
3 33 authorities where the site is located. Taxes owed by such a
3 34 taxpayer, with no other Iowa operating property, that are in
3 35 excess of the local amount will be deposited into the property
4 1 tax relief fund created in Code chapter 426B, the same as
4 2 currently happens with new electric power generating plants
4 3 initially subject to replacement generation tax on or after
4 4 January 1, 2003, where such owner has no other Iowa operating
4 5 property.

4 6 The bill also provides that for a taxpayer, with no other
4 7 Iowa operating property, owning an interest in a new electric
4 8 power generating plant valued in excess of \$44,444,445, such
4 9 excess valuation is not to be allocated to any local taxing
4 10 district.

4 11 The bill also requires that, as part of the notification
4 12 reporting requirements, a taxpayer notify the department of
4 13 revenue, with notation of the local taxing district, of
4 14 property sold or transferred.

4 15 The bill also extends the statutory existence of the
4 16 utility replacement tax task force for an additional three
4 17 years until January 1, 2010.

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4 19 mg:rj/je/5.2