

Senate File 2329 - Introduced

SENATE FILE 2329

BY RAGAN

A BILL FOR

1 An Act relating to the tax imposed on certain natural gas
2 consumed in the state by modifying tax rates, providing
3 for a natural gas consumer tax supplement, making
4 appropriations, and including effective date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 437A.5, subsection 2, Code 2014, is
2 amended to read as follows:

3 2. a. If For tax years beginning on or after January 1,
4 2015, if natural gas is consumed in this state by a consumer
5 who consumed sixty million or more therms of natural gas in the
6 tax year, whether such natural gas is purchased or transferred,
7 and the delivery, purchase, or transference of such natural
8 gas is not subject to the tax imposed under subsection 1, a
9 tax is imposed on the consumer at the rates prescribed under
10 subsection 1.

11 b. (1) For the tax year beginning January 1, 2014, if
12 natural gas is consumed in this state by a consumer who
13 consumes less than sixty million therms of natural gas in the
14 tax year, whether such natural gas is purchased or transferred,
15 and the delivery, purchase, or transference of such natural
16 gas is not subject to the tax imposed under subsection 1, a
17 tax is imposed on the consumer at fifty percent of the rates
18 prescribed under subsection 1.

19 (2) For tax years beginning on or after January 1, 2015,
20 if natural gas is consumed in this state by a consumer who
21 consumes less than sixty million therms of natural gas in the
22 tax year, whether such natural gas is purchased or transferred,
23 and the delivery, purchase, or transference of such natural
24 gas is not subject to the tax imposed under subsection 1, a
25 tax shall not be imposed under this section on the consumer's
26 consumption of natural gas.

27 Sec. 2. Section 437A.5, subsection 8, unnumbered paragraph
28 1, Code 2014, is amended to read as follows:

29 If, for any tax year after calendar year 1998, the total
30 ~~taxable~~ therms of natural gas required to be reported by
31 taxpayers pursuant to section 437A.8, subsection 1, paragraphs
32 "a" and "b", with respect to any natural gas competitive
33 service area increases or decreases by more than the threshold
34 percentage from the average of the base year amounts for that
35 natural gas competitive service area during the immediately

1 preceding five calendar years, the tax rate imposed under
2 subsection 1, paragraph "a", and subsection 2 for that tax year
3 shall be recalculated by the director for that natural gas
4 competitive service area so that the total of the replacement
5 natural gas delivery taxes required to be reported pursuant to
6 section 437A.8, subsection 1, paragraph "e", for that natural
7 gas competitive service area with respect to the tax imposed
8 under subsection 1, paragraph "a", and subsection 2, and the
9 natural gas consumer tax supplement amount for that natural gas
10 competitive service area shall be as follows:

11 Sec. 3. Section 437A.5, subsection 8, paragraphs a and b,
12 Code 2014, are amended to read as follows:

13 a. If the number of therms of natural gas required to be
14 reported increased by more than the threshold percentage, one
15 hundred two percent of the sum of such taxes required to be
16 reported by taxpayers for that natural gas competitive service
17 area for the immediately preceding tax year and the natural gas
18 consumer tax supplement amount for that natural gas competitive
19 service area for the immediately preceding tax year.

20 b. If the number of therms of natural gas required to be
21 reported decreased by more than the threshold percentage,
22 ninety-eight percent of the sum of such taxes required to be
23 reported by taxpayers for that natural gas competitive service
24 area for the immediately preceding tax year and the natural gas
25 consumer tax supplement amount for that natural gas competitive
26 service area for the immediately preceding tax year.

27 Sec. 4. Section 437A.5, subsection 8, paragraph c,
28 subparagraph (4), Code 2014, is amended to read as follows:

29 (4) For purposes of this subsection, "base year amount"
30 means for calendar years prior to tax year 1999, the sum of the
31 therms of natural gas delivered to consumers within a natural
32 gas competitive service area by the taxpayer principally
33 serving such natural gas competitive service area which would
34 have been subject to taxation under this section had this
35 section been in effect for those years; and for tax years

1 after calendar year 1998, the ~~taxable~~ therms of natural gas
2 required to be reported by taxpayers pursuant to section
3 437A.8, subsection 1, paragraphs "a" and "b", with respect to
4 any natural gas competitive service area.

5 Sec. 5. NEW SECTION. 437A.5A Natural gas consumer tax
6 supplement — appropriation.

7 1. a. For the fiscal year beginning July 1, 2015, there
8 is appropriated from the general fund of the state to the
9 department of revenue an amount equal to the number of therms
10 of natural gas subject to tax under section 437A.5, subsection
11 2, paragraph "b", subparagraph (1), for the tax year beginning
12 January 1, 2014, multiplied by fifty percent of the rates
13 applicable to the therms of natural gas as prescribed under
14 section 437A.5, subsection 1, for that tax year, to be used as
15 provided in subsection 2 of this section.

16 b. For each fiscal year beginning on or after July 1, 2016,
17 there is appropriated from the general fund of the state to
18 the department of revenue an amount equal to the number of
19 therms of natural gas exempted from tax under section 437A.5,
20 subsection 2, paragraph "b", subparagraph (2), for the tax year
21 beginning January 1 of the calendar year preceding the fiscal
22 year, multiplied by the rates prescribed under section 437A.5,
23 subsection 1, for that tax year, to be used as provided in
24 subsection 2 of this section.

25 c. Moneys appropriated by the general assembly to the
26 department under this subsection are not subject to a uniform
27 reduction in appropriations in accordance with section 8.31.

28 2. a. Moneys appropriated to the department under
29 subsection 1 shall be used by the department for the payment
30 of natural gas consumer tax supplement amounts and shall be
31 allocated among the local taxing districts according to the
32 allocations of replacement taxes made by the director and the
33 department of management pursuant to section 437A.15 for the
34 same tax year.

35 b. Natural gas consumer tax supplement amounts under

1 this section shall, following allocation to the local taxing
2 districts by the director and the department of management,
3 be remitted to the county treasurers each year as provided in
4 section 437A.8, subsection 4.

5 Sec. 6. Section 437A.8, subsection 1, paragraph b, Code
6 2014, is amended to read as follows:

7 b. The total kilowatt-hours of electricity consumed by the
8 taxpayer within each electric competitive service area during
9 the tax year subject to tax under section 437A.4, subsection 2,
10 and the total therms of natural gas consumed by the taxpayer
11 within each natural gas competitive service area during the tax
12 year that are subject to tax under section 437A.5, subsection
13 2, paragraph "a", subject to tax under section 437A.5,
14 subsection 2, paragraph "b", subparagraph (1), or that are
15 excluded from tax under section 437A.5, subsection 2, paragraph
16 "b", subparagraph (2).

17 Sec. 7. Section 437A.8, subsection 4, paragraph a, Code
18 2014, is amended to read as follows:

19 a. At the time of filing the return required by subsection
20 1 with the director, the taxpayer shall calculate the tentative
21 replacement tax due for the tax year. The director shall
22 compute any adjustments to the replacement tax required by
23 subsection 7 and by section 437A.4, subsection 8, and section
24 437A.5, subsection 8, and notify the taxpayer of any such
25 adjustments in accordance with the requirements of such
26 provisions. The director and the department of management
27 shall compute the allocation of replacement taxes and
28 natural gas consumer tax supplement amounts determined under
29 section 437A.5A among local taxing districts and report such
30 allocations to county treasurers pursuant to section 437A.15.
31 Based on such allocations, the treasurer of each county shall
32 notify each taxpayer on or before August 31 following a tax
33 year of its replacement tax obligation to the county treasurer.
34 On or before September 30, 2000, and on or before September
35 30 of each subsequent year, the taxpayer shall remit to the

1 county treasurer of each county to which such replacement tax
2 is allocated pursuant to section 437A.15, one-half of the
3 replacement tax so allocated, and on or before the succeeding
4 March 31, the taxpayer shall remit to the county treasurers the
5 remaining replacement tax so allocated. On or before September
6 30, 2015, and on or before September 30 of each subsequent
7 year, the department shall remit to the county treasurer of
8 each county to which such natural gas consumer tax supplement
9 amounts under section 437A.5A are allocated pursuant to section
10 437A.15, one-half of the supplement amount so allocated, and
11 on or before the succeeding March 31, the department shall
12 remit to the county treasurers the remaining supplement amount
13 so allocated. If notification of a taxpayer's replacement tax
14 obligation is not mailed by a county treasurer on or before
15 August 31 following a tax year, such taxpayer shall have thirty
16 days from the date the notification is mailed to remit one-half
17 of the replacement tax otherwise required by this subsection
18 to be remitted to such county treasurer on or before September
19 30. If a taxpayer fails to timely remit replacement taxes
20 as provided in this subsection, the county treasurer of each
21 affected county shall notify the director of such failure.

22 Sec. 8. Section 437A.8, subsection 6, Code 2014, is amended
23 to read as follows:

24 6. Notwithstanding subsections 1 through 5, a taxpayer
25 shall not be required to file a return otherwise required by
26 this section or remit any replacement tax for any tax year
27 in which the taxpayer's replacement tax liability before
28 credits is three hundred dollars or less, provided that all
29 electric companies, electric cooperatives, municipal utilities,
30 consumers described in section 437A.5, subsection 2, paragraph
31 "b", and natural gas companies shall file a return, regardless
32 of the taxpayer's replacement tax liability.

33 Sec. 9. Section 437A.15, subsections 1 and 2, Code 2014, are
34 amended to read as follows:

35 1. The director and the department of management shall

1 compute the allocation of all replacement tax revenues other
2 than transfer replacement tax revenues and natural gas consumer
3 tax supplement amounts received pursuant to section 437A.5A
4 among the local taxing districts in accordance with this
5 section and shall report such allocation by local taxing
6 districts to the county treasurers on or before August 15
7 following a tax year.

8 2. a. The director shall determine and report to the
9 department of management the total replacement taxes to be
10 collected from each taxpayer for the tax year on or before July
11 30 following such tax year.

12 b. The director shall also determine and report to the
13 department of management the total natural gas consumer tax
14 supplement amount under section 437A.5A for the tax year on or
15 before July 30 following such tax year. Natural gas consumer
16 tax supplement amounts provided under section 437A.5A shall,
17 for the purposes of this section, be considered replacement
18 taxes owed by a taxpayer and allocated among the local taxing
19 districts as if the supplement amounts were replacement taxes
20 paid by the consumer of the therms of natural gas under section
21 437A.5, subsection 2, used to calculate the supplement amount.

22 Sec. 10. EFFECTIVE UPON ENACTMENT. This Act, being deemed
23 of immediate importance, takes effect upon enactment.

24 EXPLANATION

25 The inclusion of this explanation does not constitute agreement with
26 the explanation's substance by the members of the general assembly.

27 This bill relates to the tax imposed on certain natural gas
28 consumed in the state by modifying tax rates and providing for
29 a natural gas consumer tax supplement.

30 Current Code section 437A.5(2) provides that if natural
31 gas is consumed in this state and the delivery, purchase, or
32 transference of such natural gas is not subject to the natural
33 gas delivery replacement tax, a tax is imposed on the consumer
34 at the same rate as the natural gas delivery replacement tax
35 for the applicable natural gas competitive service area.

1 The bill continues the imposition of this tax rate on those
2 consumers who consume 60 million or more therms of natural gas
3 in a tax year. For the tax year beginning January 1, 2014,
4 those consumers who consume less than 60 million therms of
5 natural gas in the applicable tax year are subject to a tax
6 rate that is 50 percent of the natural gas delivery replacement
7 tax for the applicable natural gas competitive service area.
8 In tax years beginning on or after January 1, 2015, for those
9 consumers who consume less than 60 million therms of natural
10 gas in a tax year, the therms of natural gas consumed are not
11 subject to tax.

12 The bill establishes a natural gas consumer tax supplement
13 to replace tax revenue reductions that will result from changes
14 in the bill to the imposition of natural gas consumer tax rates
15 under Code section 437A.5(2), establishes the methodology
16 to calculate the amount of the supplement, and for fiscal
17 years beginning on or after July 1, 2015, appropriates the
18 necessary amounts from the general fund of the state to the
19 department of revenue. The bill requires that the natural gas
20 consumer tax supplement amounts be allocated among the local
21 taxing districts according to the allocations of replacement
22 taxes made by the director of revenue and the department of
23 management pursuant to Code section 437A.15 for the same
24 tax year. Following determination of such allocations, the
25 natural gas consumer tax supplement amounts are remitted by
26 the department of revenue to the appropriate county treasurers
27 at the same times of the year as replacement taxes owed by
28 taxpayers.

29 The bill provides that moneys appropriated for the natural
30 gas consumer tax supplement are not subject to a uniform
31 reduction in appropriations in accordance with Code section
32 8.31.

33 The bill also makes changes to provisions in Code chapter
34 437A to provide for the continued reporting by consumers on the
35 amount of natural gas therms that are consumed regardless of

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1 whether the consumer is taxed.

2 The bill takes effect upon enactment.