

House File 2352 - Introduced

HOUSE FILE 2352

BY NUNN

A BILL FOR

1 An Act exempting from the state sales tax the sales price from
2 the sale or furnishing of a water service by a water utility
3 and creating related state and local water service excise
4 taxes.

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

1 Section 1. Section 423.3, Code 2016, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 103. *a.* The sales price from the sale or
4 furnishing by a water utility of a water service in the state
5 to consumers or users.

6 *b.* For purposes of this subsection:

7 (1) "*Water service*" means the delivery of water by piped
8 distribution system.

9 (2) "*Water utility*" means a public utility as defined in
10 section 476.1 that furnishes water by piped distribution system
11 to the public for compensation.

12 Sec. 2. NEW SECTION. 423G.1 **Short title.**

13 This chapter may be cited as the "*Water Service Tax Act*".

14 Sec. 3. NEW SECTION. 423G.2 **Definitions.**

15 1. All words and phrases used in this chapter and defined in
16 section 423.1 have the same meaning given them by section 423.1
17 for purposes of this chapter.

18 2. As used in this chapter, "*water service*" and "*water*
19 *utility*" mean the same as defined in section 423.3, subsection
20 103.

21 Sec. 4. NEW SECTION. 423G.3 **State-imposed water service**
22 **tax.**

23 1. A tax at the rate specified in subsection 2 is imposed on
24 the sales price from the sale or furnishing by a water utility
25 of a water service in the state to consumers or users.

26 2. *a.* If the date of the utility billing or meter reading
27 cycle of the customer for the sale or furnishing of water is on
28 or after July 1, 2016, but before July 1, 2017, or if the sale
29 or furnishing of the water and the delivery of the water occurs
30 on or after July 1, 2016, but before July 1, 2017, the rate of
31 tax is six percent.

32 *b.* If the date of the utility billing or meter reading cycle
33 of the customer for the sale or furnishing of water is on or
34 after July 1, 2017, but before July 1, 2018, or if the sale or
35 furnishing of the water and the delivery of the water occurs

1 on or after July 1, 2017, but before July 1, 2018, the rate of
2 tax is five percent.

3 *c.* If the date of the utility billing or meter reading cycle
4 of the customer for the sale or furnishing of water is on or
5 after July 1, 2018, but before July 1, 2019, or if the sale or
6 furnishing of the water and the delivery of the water occurs
7 on or after July 1, 2018, but before July 1, 2019, the rate of
8 tax is four percent.

9 *d.* If the date of the utility billing or meter reading cycle
10 of the customer for the sale or furnishing of water is on or
11 after July 1, 2019, but before July 1, 2020, or if the sale or
12 furnishing of the water and the delivery of the water occurs on
13 or after July 1, 2019, but before July 1, 2020, the rate of tax
14 is three percent.

15 *e.* If the date of the utility billing or meter reading cycle
16 of the customer for the sale or furnishing of water is on or
17 after July 1, 2020, but before July 1, 2021, or if the sale or
18 furnishing of the water and the delivery of the water occurs
19 on or after July 1, 2020, but before July 1, 2021, the rate of
20 tax is two percent.

21 *f.* If the date of the utility billing or meter reading cycle
22 of the customer for the sale or furnishing of water is on or
23 after July 1, 2021, but before July 1, 2022, or if the sale or
24 furnishing of the water and the delivery of the water occurs
25 on or after July 1, 2021, but before July 1, 2022, the rate of
26 tax is one percent.

27 *g.* If the date of the utility billing or meter reading cycle
28 of the customer for the sale or furnishing of water, or the
29 date of the sale or furnishing of the water and the delivery of
30 the water, is on or after July 1, 2022, the rate of tax is zero
31 percent.

32 3. This section is repealed January 1, 2023.

33 Sec. 5. NEW SECTION. 423G.4 **Locally imposed water service**
34 **tax.**

35 1. *a.* A county that is not subject to subsection 2 may

1 impose a local water service tax at a rate of not more than one
2 percent of the sales price from the sale or furnishing by a
3 water utility of a water service in the state to consumers or
4 users. The tax shall be imposed, collected, and administered
5 in the same manner as the local sales and services tax in
6 chapter 423B and sections 423B.1 and 423B.5 through 423B.10,
7 consistent with the provisions of this chapter, shall apply
8 with respect to the tax authorized under this subsection, in
9 the same manner and with the same effect as if the local water
10 service tax was a local sales and services tax within the
11 meaning of chapter 423B.

12 *b.* The question of the imposition of a local water service
13 tax may be submitted at the same election as the local option
14 taxes authorized under chapter 423B and shall be stated on the
15 ballot as questions to be voted on separately.

16 *c.* This subsection shall not be construed to require a
17 county to impose a local water service tax if the question
18 of imposing a local sales and services tax is approved at
19 election.

20 2. *a.* If a city or county has in effect a local sales
21 and services tax under chapter 423B on the effective date of
22 this Act, that city or county shall impose on and after the
23 effective date of this Act a local water service tax at the
24 same rate as the local sales and services tax on the sales
25 price from the sale or furnishing by a water utility of a water
26 service in the state to consumers or users. The local water
27 service tax shall be imposed, collected, and administered in
28 the same manner and with the same effect as the city's or
29 county's local sales and services tax under chapter 423B and
30 sections 423B.1 and 423B.5 through 423B.10, consistent with the
31 provisions of this chapter, shall apply with respect to the tax
32 imposed under this subsection, in the same manner and with the
33 same effect as if the local water service tax was a local sales
34 and services tax within the meaning of chapter 423B.

35 *b.* The city or county shall within sixty days of the

1 effective date of this Act amend its local sales and services
2 tax ordinance to reflect the imposition of the local water
3 service tax under this subsection.

4 c. The city or county shall continue to collect the local
5 water service tax imposed under this subsection until such time
6 as the local sales and services tax in effect on the effective
7 date of this Act is repealed by the city or county.

8 Sec. 6. NEW SECTION. **423G.5 Exemptions.**

9 The sales price from transactions exempt from state sales
10 tax under section 423.3, except section 423.3, subsection 103,
11 is also exempt from the tax imposed by this chapter.

12 Sec. 7. NEW SECTION. **423G.6 Administration by director.**

13 1. The director of revenue shall administer the state and
14 local water service tax as nearly as possible in conjunction
15 with the administration of the state sales and use tax law,
16 except that portion of the law that implements the streamlined
17 sales and use tax agreement. The director shall provide
18 appropriate forms, or provide on the regular state tax forms,
19 for reporting state and local water service tax liability.

20 2. The director may require all persons who are engaged
21 in the business of deriving any sales price or purchase
22 price subject to tax under this chapter to register with
23 the department. The director may also require a tax permit
24 applicable only to this chapter for any retailer not
25 collecting, or any user not paying, taxes under chapter 423.

26 3. Section 422.25, subsection 4, sections 422.30, 422.67,
27 and 422.68, section 422.69, subsection 1, sections 422.70,
28 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
29 1, and sections 423.23, 423.24, 423.25, 423.31 through
30 423.35, 423.37 through 423.42, and 423.47, consistent with
31 the provisions of this chapter, shall apply with respect to
32 the taxes authorized under this chapter, in the same manner
33 and with the same effect as if the excise taxes on the sale
34 or furnishing of a water service were retail sales taxes
35 within the meaning of those statutes. Notwithstanding this

1 subsection, the director shall provide for quarterly filing of
2 returns and for other than quarterly filing of returns both as
3 prescribed in section 423.31. All taxes collected under this
4 chapter by a retailer or any user are deemed to be held in trust
5 for the state of Iowa.

6 Sec. 8. NEW SECTION. 423G.7 **Deposit of revenues.**

7 1. All moneys received and all refunds shall be deposited in
8 or withdrawn from the general fund of the state.

9 2. The director, in consultation with local officials,
10 shall collect and account for a local water service tax and
11 shall credit all revenues in the same manner as provided in
12 section 423B.7. Local authorities shall not require any tax
13 permit not required by the director of revenue.

14 3. Subsequent to the deposit in the general fund of the
15 state, the department shall do the following in the order
16 prescribed:

17 a. Transfer the revenues collected under section 423G.3 in
18 the manner prescribed in section 423B.7.

19 b. Transfer one-sixth of the remaining revenues to the
20 secure an advanced vision for education fund created in section
21 423F.2.

22 EXPLANATION

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

25 This bill relates to the taxation of the sale of a water
26 service by water utilities.

27 The bill exempts from the state sales tax the sales price
28 from the sale or furnishing by a water utility of a water
29 service in the state to consumers or users. "Water service"
30 and "water utility" are defined in the bill.

31 By operation of Code section 423.6, an item exempt from the
32 imposition of the sales tax is also exempt from the use tax
33 imposed in Code section 423.5.

34 The bill creates a state excise tax on the sales price from
35 the sale or furnishing by a water utility of a water service in

1 the state to consumers or users. The rate of the excise tax
2 begins at 6 percent for fiscal year 2016-2017, which is the
3 same rate as the state sales tax, and is reduced one percentage
4 point each fiscal year for the next five fiscal years until it
5 is completely phased out beginning July 1, 2022.

6 The bill requires that one-sixth of the state water service
7 tax revenues collected each year be transferred to the secure
8 an advanced vision for education fund created in Code section
9 423F.2.

10 The bill also creates a locally imposed water service tax
11 of up to 1 percent that may, at the option of a county that
12 is not imposing a local sales and services tax on July 1,
13 2016, be imposed, collected, and administered by the county in
14 the same manner as the local sales and services tax in Code
15 chapter 423B if approved at election. The bill incorporates
16 by reference many of the provisions of Code chapter 423B. The
17 bill allows an election for the imposition of a local water
18 service tax to occur at the same election as for a local option
19 tax authorized under Code chapter 423B, but the ballot shall
20 state the questions so as to be voted separately.

21 The bill provides that a city or county that has a local
22 sales and services tax in effect on July 1, 2016, is required
23 to impose a local water service tax at the same rate and in the
24 same manner as the city's or county's local sales and services
25 tax. The city or county is required to amend its local sales
26 and services tax ordinance within 60 days of the effective
27 date of the bill to reflect the imposition of the local water
28 service tax. The city or county shall continue to collect the
29 required local water service tax until the city's or county's
30 sales and services tax in effect on July 1, 2016, is repealed.

31 The director of revenue is required to administer the
32 state and local water service tax as nearly as possible
33 in conjunction with the administration of the state sales
34 and use tax law, and to that end the bill incorporates by
35 reference numerous Code sections that relate to general tax

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1 administration and the sales and use tax laws.

2 Revenues collected from the local option water service tax
3 are credited to local governments in the same manner as local
4 option taxes under Code chapter 423B.