

House Study Bill 654 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act relating to water quality by modifying the wastewater
2 treatment financial assistance program, creating a water
3 service excise tax and a related sales tax exemption, 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 16.134, Code 2016, is amended to read as
2 follows:

3 **16.134 Wastewater and drinking water treatment financial**
4 **assistance program.**

5 1. The Iowa finance authority shall establish and
6 administer a wastewater and drinking water treatment financial
7 assistance program. The purpose of the program shall be to
8 provide financial assistance to enhance water quality. The
9 program shall be administered in accordance with rules adopted
10 by the authority pursuant to chapter 17A. For purposes of
11 this section, "program" means the wastewater and drinking water
12 treatment financial assistance program and "committee" means the
13 water quality financing review committee created in subsection
14 9.

15 2. A wastewater and drinking water treatment financial
16 assistance fund is created and shall consist of appropriations
17 made to the fund and transfers of interest, earnings, and
18 moneys from other funds as provided by law. Moneys transferred
19 to the fund pursuant to section 423G.6 are appropriated to the
20 authority for purposes of the program. Moneys in the fund are
21 not subject to section 8.33. Notwithstanding section 12C.7,
22 subsection 2, interest or earnings on moneys in the fund shall
23 be credited to the fund.

24 3. Financial assistance under the program shall be used to
25 install or upgrade wastewater treatment facilities and systems
26 and drinking water treatment facilities and systems, and for
27 engineering or technical assistance for facility planning and
28 design.

29 4. The authority committee shall ~~distribute~~ approve
30 financial assistance ~~in~~ from the fund in accordance with the
31 following:

32 ~~a. The goal of the program shall be to base awards on the~~
33 ~~impact of the grant combined with other sources of financing to~~
34 ~~ensure that sewer rates do not exceed one and one-half percent~~
35 ~~of a community's median household income.~~

1 ~~b.~~ a. ~~Communities shall be eligible for financial~~
2 ~~assistance by qualifying as~~ Priority shall be given for
3 projects in which a disadvantaged community and is seeking
4 financial assistance for the installation or upgrade of
5 wastewater treatment facilities ~~due to regulatory activity~~
6 ~~by the department of natural resources~~ and drinking water
7 treatment facilities. For purposes of **this section**, the term
8 "*disadvantaged community*" means the same as defined by the
9 department.

10 ~~e.~~ b. Priority shall be given to projects in which the
11 financial assistance is used ~~to obtain~~ with financing under the
12 water pollution control works and drinking water facilities
13 financing program pursuant to **section 16.131** or other federal
14 or state financing.

15 ~~d.~~ c. Priority shall also be given to projects whose
16 completion will provide significant improvement to water
17 quality in the relevant watershed.

18 ~~e.~~ d. Priority shall also be given to communities that
19 employ an alternative wastewater treatment technology pursuant
20 to **section 455B.199C**.

21 ~~f.~~ e. Priority shall ~~be~~ be given to those communities
22 where sewer or water rates are the highest as a percentage of
23 that community's median household income.

24 ~~g.~~ f. Financial assistance in the form of grants shall be
25 issued on an annual basis.

26 ~~h.~~ g. An applicant shall not receive a grant that exceeds
27 five hundred thousand dollars.

28 5. The authority in cooperation with the department of
29 natural resources shall ~~share~~ provide information and resources
30 to the committee when the committee is determining the
31 qualifications of a community for financial assistance from the
32 fund.

33 6. The authority shall enter into agreements with financial
34 assistance recipients and distribute moneys under the program
35 pursuant to financial assistance determinations made by the

1 committee. The authority may use an amount of not more than
2 ~~four~~ one percent of any moneys appropriated for deposit in the
3 fund for administration purposes.

4 7. By October 1 of each year, the authority shall submit
5 a report to the governor and the general assembly itemizing
6 expenditures under the program during the previous fiscal year.

7 8. a. Beginning September 1, 2026, and every ten years
8 thereafter, a program review committee is established for
9 purposes of reviewing the wastewater and drinking water
10 treatment financial assistance program. By December 1 of
11 the same year, the review committee shall file a report
12 with the governor and the general assembly that reviews the
13 effectiveness of the program during the prior ten fiscal years.

14 b. The program review committee shall consist of the
15 following members:

16 (1) The governor or the governor's designee.

17 (2) The secretary of agriculture or the secretary's
18 designee.

19 (3) The executive director of the authority or the executive
20 director's designee.

21 (4) The director of the department of natural resources or
22 the director's designee.

23 (5) Four members of the general assembly, with two from the
24 senate and two from the house of representatives and not more
25 than one member from each chamber being from the same political
26 party. The two senators shall be designated one member each
27 by the president of the senate, after consultation with the
28 majority leader of the senate, and by the minority leader of
29 the senate. The two representatives shall be designated one
30 member each by the speaker of the house of representatives,
31 after consultation with the majority leader of the house of
32 representatives, and by the minority leader of the house of
33 representatives.

34 c. Staffing services shall be provided by the authority.

35 9. a. A water quality financing review committee is

1 created consisting of the secretary of agriculture or the
2 secretary's designee, the executive director of the authority
3 or the executive director's designee, and the director of the
4 department of natural resources or the director's designee.

5 b. The committee shall review and approve or deny
6 applications for financial assistance under the wastewater
7 and drinking water treatment financial assistance program
8 established in this section.

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

11 NEW SUBSECTION. 103. a. The sales price from the sale or
12 furnishing by a water utility of a water service in the state
13 to consumers or users.

14 b. For purposes of this subsection:

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

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

20 Sec. 3. NEW SECTION. 423G.1 Short title.

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

22 Sec. 4. NEW SECTION. 423G.2 Definitions.

23 1. All words and phrases used in this chapter and defined in
24 section 423.1 have the same meaning given them by section 423.1
25 for purposes of this chapter.

26 2. As used in this chapter, "*water service*" and "*water*
27 *utility*" mean the same as defined in section 423.3, subsection
28 103.

29 Sec. 5. NEW SECTION. 423G.3 Water service tax.

30 An excise tax at the rate of six percent is imposed on the
31 sales price from the sale or furnishing by a water utility of a
32 water service in the state to consumers or users.

33 Sec. 6. NEW SECTION. 423G.4 Exemptions.

34 The sales price from transactions exempt from state sales
35 tax under section 423.3, except section 423.3, subsection 103,

1 is also exempt from the tax imposed by this chapter.

2 **Sec. 7. NEW SECTION. 423G.5 Administration by director.**

3 1. The director of revenue shall administer the water
4 service tax as nearly as possible in conjunction with the
5 administration of the state sales and use tax law, except that
6 portion of the law that implements the streamlined sales and
7 use tax agreement. The director shall provide appropriate
8 forms, or provide on the regular state tax forms, for reporting
9 water service tax liability.

10 2. The director may require all persons who are engaged
11 in the business of deriving any sales price or purchase
12 price subject to tax under this chapter to register with
13 the department. The director may also require a tax permit
14 applicable only to this chapter for any retailer not
15 collecting, or any user not paying, taxes under chapter 423.

16 3. Section 422.25, subsection 4, sections 422.30, 422.67,
17 and 422.68, section 422.69, subsection 1, sections 422.70,
18 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
19 1, and sections 423.23, 423.24, 423.25, 423.31 through
20 423.35, 423.37 through 423.42, and 423.47, consistent with the
21 provisions of this chapter, shall apply with respect to the tax
22 authorized under this chapter, in the same manner and with the
23 same effect as if the excise taxes on the sale or furnishing of
24 a water service were retail sales taxes within the meaning of
25 those statutes. Notwithstanding this subsection, the director
26 shall provide for quarterly filing of returns and for other
27 than quarterly filing of returns both as prescribed in section
28 423.31. All taxes collected under this chapter by a retailer
29 or any user are deemed to be held in trust for the state of
30 Iowa.

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

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

34 2. Subsequent to the deposit in the general fund of the
35 state, the department shall transfer the following amounts

1 to the wastewater and drinking water treatment financial
2 assistance fund created in section 16.134:

3 a. For revenues collected on or after July 1, 2017, but
4 before August 1, 2018, one-sixth of the revenues.

5 b. For revenues collected on or after August 1, 2018, but
6 before August 1, 2019, one-third of the revenues.

7 c. For revenues collected on or after August 1, 2019, but
8 before August 1, 2020, one-half of the revenues.

9 d. For revenues collected on or after August 1, 2020, but
10 before August 1, 2021, two-thirds of the revenues.

11 e. For revenues collected on or after August 1, 2021, but
12 before August 1, 2022, five-sixths of the revenues.

13 f. For revenues collected on or after August 1, 2022, one
14 hundred percent of the revenues.

15 Sec. 9. NEW SECTION. 423G.7 Future repeal.

16 This chapter is repealed July 1, 2037.

17 Sec. 10. EFFECTIVE DATE. This Act takes effect July 1,
18 2017.

19 EXPLANATION

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

22 This bill relates to water quality by modifying the
23 wastewater treatment financial assistance program and creating
24 a water service excise tax.

25 WATER QUALITY. The bill amends the wastewater treatment
26 financial assistance program (program) administered by the
27 Iowa finance authority. Currently, the program provides
28 financial assistance to install or upgrade wastewater treatment
29 facilities and systems, and for engineering or technical
30 assistance for facility planning and design. Awards of
31 financial assistance are made by the authority. The bill
32 adds drinking water treatment facilities and systems to the
33 program. The bill also adds reporting and review requirements
34 to the program, modifies the permitted use of fund moneys for
35 administrative purposes, and creates a water quality financing

1 review committee to review and approve applications for
2 financial assistance under the program.

3 WATER SERVICE EXCISE TAX. The bill exempts from the state
4 sales tax the sales price from the sale or furnishing by a
5 water utility of a water service in the state to consumers or
6 users. "Water service" and "water utility" are defined in the
7 bill.

8 By operation of Code section 423.6, an item exempt from the
9 imposition of the sales tax is also exempt from the use tax
10 imposed in Code section 423.5.

11 The bill creates an excise tax at the rate of 6 percent
12 on the sales price from the sale or furnishing by a water
13 utility of a water service in the state to consumers or users.
14 Water service tax revenues are deposited in the general fund
15 of the state, and the bill requires an increasing portion
16 of the water service tax revenues collected each year to be
17 transferred to the wastewater and drinking water treatment
18 financial assistance fund, beginning with one-sixth of the
19 revenues collected on or after July 1, 2017, but before August
20 1, 2018, and increasing to one-third, one-half, two-thirds,
21 and five-sixths over the next four years. All water service
22 tax revenues collected on or after August 1, 2022, will be
23 transferred to the wastewater and drinking water treatment
24 financial assistance fund. Water service tax revenues
25 transferred to the wastewater and drinking water treatment
26 financial assistance fund are appropriated to the Iowa finance
27 authority for purposes of the wastewater and drinking water
28 treatment financial assistance program.

29 The director of revenue is required to administer the water
30 service tax as nearly as possible in conjunction with the
31 administration of the state sales and use tax laws, and, to
32 that end, the bill incorporates by reference numerous Code
33 sections that relate to general tax administration and the
34 sales and use tax laws. The water service tax is repealed July
35 1, 2037.

H.F. _____

1 The bill takes effect July 1, 2017.