

Senate File 2054 - Introduced

SENATE FILE 2054

BY FEENSTRA

A BILL FOR

1 An Act exempting from the state sales tax the sales price from
2 the sale or furnishing of metered water to residential
3 customers and creating related state and local residential
4 metered water excise 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. The sales price from the sale or
4 furnishing of metered water to residential customers for use at
5 residential dwellings and units of apartment and condominium
6 complexes used for human occupancy.

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

8 This chapter may be cited as the "*Residential Metered Water*
9 *Tax Act*".

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

11 All words and phrases used in this chapter and defined in
12 section 423.1 have the same meaning given them by section 423.1
13 for purposes of this chapter.

14 Sec. 4. NEW SECTION. 423G.3 **State-imposed residential**
15 **metered water tax.**

16 1. A tax at the rate specified in subsection 2 is imposed on
17 the sales price from the sale or furnishing of metered water
18 to residential customers for use at residential dwellings and
19 units of apartment and condominium complexes used for human
20 occupancy.

21 2. *a.* If the date of the utility billing or meter reading
22 cycle of the residential customer for the sale or furnishing
23 of metered water is on or after July 1, 2016, but before July
24 1, 2017, or if the sale or furnishing of the water and the
25 delivery of the water occurs on or after July 1, 2016, but
26 before July 1, 2017, the rate of tax is six percent.

27 *b.* If the date of the utility billing or meter reading
28 cycle of the residential customer for the sale or furnishing
29 of metered water is on or after July 1, 2017, but before July
30 1, 2018, or if the sale or furnishing of the water and the
31 delivery of the water occurs on or after July 1, 2017, but
32 before July 1, 2018, the rate of tax is five percent.

33 *c.* If the date of the utility billing or meter reading
34 cycle of the residential customer for the sale or furnishing
35 of metered water is on or after July 1, 2018, but before July

1 1, 2019, or if the sale or furnishing of the water and the
2 delivery of the water occurs on or after July 1, 2018, but
3 before July 1, 2019, the rate of tax is four percent.

4 *d.* If the date of the utility billing or meter reading
5 cycle of the residential customer for the sale or furnishing
6 of metered water is on or after July 1, 2019, but before July
7 1, 2020, or if the sale or furnishing of the water and the
8 delivery of the water occurs on or after July 1, 2019, but
9 before July 1, 2020, the rate of tax is three percent.

10 *e.* If the date of the utility billing or meter reading
11 cycle of the residential customer for the sale or furnishing
12 of metered water is on or after July 1, 2020, but before July
13 1, 2021, or if the sale or furnishing of the water and the
14 delivery of the water occurs on or after July 1, 2020, but
15 before July 1, 2021, the rate of tax is two percent.

16 *f.* If the date of the utility billing or meter reading
17 cycle of the residential customer for the sale or furnishing of
18 metered water is on or after July 1, 2021, but before January
19 1, 2030, or if the sale or furnishing of the water and the
20 delivery of the water occurs on or after July 1, 2021, but
21 before January 1, 2030, the rate of tax is one percent.

22 *g.* If the date of the utility billing or meter reading
23 cycle of the residential customer for the sale or furnishing
24 of metered water, or the date of the sale or furnishing of the
25 water and the delivery of the water, is on or after January 1,
26 2030, the rate of tax is zero percent.

27 3. This section is repealed June 30, 2030.

28 **Sec. 5. NEW SECTION. 423G.4 Locally imposed residential**
29 **metered water tax.**

30 1. *a.* A county that is not subject to subsection 2 may
31 impose a local residential metered water tax at a rate of not
32 more than one percent of the sales price from the sale or
33 furnishing of metered water to residential customers for use at
34 residential dwellings and units of apartment and condominium
35 complexes used for human occupancy. The tax shall be imposed,

1 collected, and administered in the same manner as the local
2 sales and services tax in chapter 423B and sections 423B.1 and
3 423B.5 through 423B.10, consistent with the provisions of this
4 chapter, shall apply with respect to the tax authorized under
5 this subsection, in the same manner and with the same effect as
6 if the local residential metered water tax was a local sales
7 and services tax within the meaning of those statutes.

8 *b.* The question of the imposition of a local residential
9 metered water tax may be submitted at the same election as the
10 local option taxes authorized under chapter 423B and shall be
11 stated on the ballot as questions to be voted on separately.

12 *c.* This subsection shall not be construed to require a
13 county to impose a local residential metered water tax if the
14 question of imposing a local sales and services tax is approved
15 at election.

16 2. *a.* If a city or county has in effect a local sales
17 and services tax under chapter 423B on the effective date of
18 this Act, that city or county shall impose on and after the
19 effective date of this Act a local residential metered water
20 tax at the same rate as the local sales and services tax on
21 the sales price from the sale or furnishing of metered water
22 to residential customers for use at residential dwellings and
23 units of apartment and condominium complexes used for human
24 occupancy. The local residential metered water tax shall be
25 imposed, collected, and administered in the same manner and
26 with the same effect as the city's or county's local sales
27 and services tax under chapter 423B and sections 423B.1 and
28 423B.5 through 423B.10, consistent with the provisions of this
29 chapter, shall apply with respect to the tax imposed under this
30 subsection, in the same manner and with the same effect as if
31 the local residential metered water tax was a local sales and
32 services tax within the meaning of chapter 423B.

33 *b.* The city or county shall within 60 days of the effective
34 date of this Act amend its local sales and services tax
35 ordinance to reflect the imposition of the local residential

1 metered water tax under this subsection.

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

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

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

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

12 1. The director of revenue shall administer the state and
13 local residential metered water tax as nearly as possible in
14 conjunction with the administration of the state sales and use
15 tax law, except that portion of the law which implements the
16 streamlined sales and use tax agreement. The director shall
17 provide appropriate forms, or provide on the regular state tax
18 forms, for reporting state and local residential metered water
19 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 metered water to residential customers were
35 retail sales taxes within the meaning of those statutes.

1 Notwithstanding this subsection, the director shall provide
2 for quarterly filing of returns and for other than quarterly
3 filing of returns both as prescribed in section 423.31. All
4 taxes collected under this chapter by a retailer or any user
5 are deemed to be held in trust 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 residential metered
11 water tax and shall credit all revenues in the same manner
12 as provided in section 423B.7. Local authorities shall not
13 require any tax 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. (1) Transfer from the remaining revenues the following
20 amounts to the secure an advanced vision for education fund
21 created in section 423F.2:

22 (a) For revenues collected on or after July 1, 2016, but
23 before August 1, 2017, one-sixth of the remaining revenues.

24 (b) For revenues collected on or after August 1, 2017, but
25 before August 1, 2018, one-fifth of the remaining revenues.

26 (c) For revenues collected on or after August 1, 2018, but
27 before August 1, 2019, one-fourth of the remaining revenues.

28 (d) For revenues collected on or after August 1, 2019, but
29 before August 1, 2020, one-third of the remaining revenues.

30 (e) For revenues collected on or after August 1, 2020, but
31 before August 1, 2021, one-half of the remaining revenues.

32 (f) For revenues collected on or after August 1, 2021, one
33 hundred percent of the remaining revenues.

34 (2) This paragraph is repealed June 30, 2030.

35

EXPLANATION

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

3 This bill relates to the taxation of the sale of metered
4 water to residential customers.

5 The bill exempts from the state sales tax the sales price
6 from the sale or furnishing of metered water to residential
7 customers for use at residential dwellings and units of
8 apartment and condominium complexes used for human occupancy.
9 By operation of Code section 423.6, an item exempt from the
10 imposition of the sales tax is also exempt from the use tax
11 imposed in Code section 423.5.

12 The bill creates a state excise tax on the sales price
13 from the sale or furnishing of metered water to residential
14 customers for use at residential dwellings and units of
15 apartment and condominium complexes used for human occupancy.
16 The rate of the excise tax begins at 6 percent for fiscal year
17 2016-2017, which is the same rate as the state sales tax, and
18 is reduced one percentage point each fiscal year for the next
19 four fiscal years until it is set at 1 percent for July 1,
20 2021, through December 31, 2029. The remaining 1 percent state
21 residential metered water tax will no longer be collected on or
22 after January 1, 2030, which is the same date the state sales
23 tax rate is reduced to 5 percent from 6 percent because of the
24 repeal of the 1 percent secure an advanced vision for education
25 tax rate.

26 The bill requires that a certain percentage of the state
27 residential metered water tax revenues collected each year be
28 transferred to the secure an advanced vision for education fund
29 created in Code section 423F.2 in order to ensure that the fund
30 receives an amount of revenue approximating one percentage
31 point of the total tax rate imposed.

32 The bill also creates a locally imposed residential metered
33 water tax of up to 1 percent that may, at the option of a county
34 that is not imposing a local sales and services tax on July 1,
35 2016, be imposed, collected, and administered by the county in

1 the same manner as the local sales and services tax in Code
2 chapter 423B if approved at election. The bill incorporates
3 by reference many of the provisions of Code chapter 423B.
4 The bill allows an election for the imposition of a local
5 residential metered water tax to occur at the same election
6 as for a local option tax authorized under Code chapter 423B
7 but the ballot shall state the questions so as to be voted
8 separately.

9 The bill provides that a city or county that has a local
10 sales and services tax in effect on July 1, 2016, is required
11 to impose a local residential metered water tax at the same
12 rate and in the same manner as the city's or county's local
13 sales and services tax. The city or county is required to
14 amend its local sales and services tax ordinance within 60 days
15 of the effective date of the bill to reflect the imposition of
16 the local residential metered water tax. The city or county
17 shall continue to collect the required local residential
18 metered water tax until the city's or county's sales and
19 services tax in effect on July 1, 2016, is repealed.

20 The director of revenue is required to administer the state
21 and local residential metered water tax as nearly as possible
22 in conjunction with the administration of the state sales
23 and use tax law, and to that end the bill incorporates by
24 reference numerous Code sections that relate to general tax
25 administration and the sales and use tax laws.

26 Revenues collected from the local option residential metered
27 water tax are credited to local governments in the same manner
28 as local option taxes under Code chapter 423B.