

**Senate File 459 - Introduced**

SENATE FILE 459

BY DVORSKY

**A BILL FOR**

1 An Act relating to state taxation by creating an excise  
2 tax on the sale and use of bottled water, providing for  
3 the transfer of the excise tax revenues, and making  
4 appropriations.

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

1 Section 1. NEW SECTION. 423G.1 Definitions.

2 1. For purposes of this chapter, "bottled water" means  
3 carbonated or noncarbonated water that is placed in a sealed  
4 bottle or other container for the purpose of sale to the public  
5 for human consumption. "Bottled water" does not include soft  
6 drinks as defined in section 423.3, subsection 57, paragraph  
7 "g".

8 2. All other words and phrases used in this chapter and  
9 defined in section 423.1 have the meaning given them by section  
10 423.1 for purposes of this chapter.

11 Sec. 2. NEW SECTION. 423G.2 Tax imposed.

12 1. A tax of six percent is imposed on the following:

13 a. The sales price of bottled water sold in the state of  
14 Iowa.

15 b. The purchase price of bottled water used in the state of  
16 Iowa.

17 2. This tax shall be collected and paid over to the  
18 department by any retailer, retailer maintaining a place of  
19 business in this state, or user who would be responsible for  
20 collection and payment of the tax if it were a sales or use tax  
21 imposed under chapter 423.

22 Sec. 3. NEW SECTION. 423G.3 Exemptions.

23 1. The sales price or purchase price from transactions  
24 exempt from state sales tax under section 423.3, except section  
25 423.3, subsections 57 and 58, is also exempt from the tax  
26 imposed by this chapter.

27 2. There is exempted from the computation of the amount  
28 of tax imposed on the use of bottled water in section 423G.2,  
29 subsection 1, paragraph "b", bottled water the sale of which  
30 is required to be included in the measure of the tax imposed  
31 on the sale of bottled water in section 423G.2, subsection 1,  
32 paragraph "a", if the tax has been paid to the department or  
33 the retailer.

34 Sec. 4. NEW SECTION. 423G.4 Taxation in another state.

35 If any person who causes bottled water to be brought into

1 this state or who uses bottled water in this state has already  
2 paid a tax in another state in respect to the sale or use of  
3 the bottled water, or an occupation tax in respect to the  
4 bottled water, in an amount less than the tax imposed by this  
5 chapter, the provisions of this chapter shall apply, but at a  
6 rate measured by the difference only between the rate fixed by  
7 this chapter and the rate by which the previous tax on the sale  
8 or use, or the occupation tax, was computed. A tax is not due  
9 in this state on the bottled water if the tax imposed and paid  
10 in the other state is equal to or more than the tax imposed by  
11 this chapter.

12 Sec. 5. NEW SECTION. **423G.5 Administration by director.**

13 1. The director of revenue shall administer the excise tax  
14 on the sale and use of bottled water as nearly as possible in  
15 conjunction with the administration of the state sales and use  
16 tax law, except that portion of the law that implements the  
17 streamlined sales and use tax agreement. The director shall  
18 provide appropriate forms, or provide on the regular state tax  
19 forms, for reporting bottled water 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 the  
31 provisions of this chapter, shall apply with respect to the  
32 tax authorized under this chapter, in the same manner and with  
33 the same effect as if the excise taxes on the sale or use of  
34 bottled water were retail sales taxes within the meaning of  
35 those statutes. Notwithstanding this subsection, the director

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

6 Sec. 6. NEW SECTION. **423G.6 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. Subsequent to the deposit in the general fund of the  
10 state, the department shall transfer the revenues collected  
11 under this chapter to the water quality initiative fund created  
12 in section 466B.45.

13 Sec. 7. NEW SECTION. **423G.7 Future repeal.**

14 This chapter is repealed upon the occurrence of one of the  
15 following, whichever is earlier:

16 1. The enactment date that the tax rate for the sales  
17 tax imposed upon the retail sales price of tangible personal  
18 property and the furnishing of enumerated services sold in this  
19 state in effect on July 1, 2016, is increased.

20 2. July 1, 2029.

21 Sec. 8. Section 466B.45, subsection 2, Code 2017, is amended  
22 to read as follows:

23 2. The fund shall include moneys transferred to the fund  
24 by law or appropriated by the general assembly. The fund may  
25 include other moneys available to and obtained or accepted by  
26 the division, including moneys from public or private sources.

27 EXPLANATION

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

30 This bill relates to state taxation by creating an excise tax  
31 on the sale or use of bottled water, providing for the transfer  
32 of the excise tax revenues, and making appropriations.

33 The bill creates an excise tax at the rate of 6 percent on  
34 the sales price or purchase price of bottled water sold or used  
35 in Iowa. "Bottled water" is defined in the bill. The director

1 of revenue is required to administer the excise tax as nearly  
2 as possible in conjunction with the administration of the state  
3 sales and use tax laws, and, to that end, the bill incorporates  
4 by reference numerous Code sections that relate to general tax  
5 administration and the sales and use tax laws.

6 The bill exempts from the excise tax any transaction that  
7 would be exempt from the state sales tax under Code section  
8 423.3 (sales tax exemptions), except for the exemptions for  
9 food and food ingredients in Code section 423.3(57) and for  
10 items purchased with food stamps and other similar federal  
11 benefits in Code section 423.3(58). The bill also exempts the  
12 use of bottled water from the tax if the excise tax has already  
13 been paid on the purchase of the bottled water. Finally, the  
14 bill provides a credit equal to the amount of similar tax paid  
15 in another state by the same taxpayer relating to the bottled  
16 water subject to the excise tax in Iowa. However, the credit  
17 cannot exceed the amount of excise tax due in Iowa on the  
18 bottled water.

19 Bottled water excise tax revenues are deposited in the  
20 general fund of the state, and the bill then requires all  
21 excise tax revenues to be transferred to the water quality  
22 initiative fund created in Code section 466B.45.

23 The bottled water excise tax is repealed on the enactment  
24 date that the state sales tax rate in effect on July 1, 2016, is  
25 increased or on July 1, 2029, whichever occurs earlier.