

House File 1033 - Introduced

HOUSE FILE 1033
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 226)

A BILL FOR

1 An Act making a rural water district a designated exempt entity
2 for purposes of the sales and use tax.

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

unofficial

1 Section 1. Section 423.4, subsection 1, paragraph a, Code
2 2025, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (11) A rural water district organized
4 under chapter 504 as provided in chapter 357A.

5 Sec. 2. Section 423.3, subsection 38, Code 2025, is amended
6 by striking the subsection.

7 EXPLANATION

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

10 This bill makes a nonprofit rural water district organized
11 under Code chapter 504 as provided in Code chapter 357A a
12 designated exempt entity, which allows the nonprofit rural water
13 district to apply to the department of revenue for the refund of
14 the sales and use tax upon sales of building materials, supplies,
15 and equipment, or from services furnished by a contractor in the
16 performance of a written contract with the rural water district,
17 if certain circumstances relating to the contract are met. By
18 designating a rural water district a designated exempt entity
19 under the bill, construction services provided to the water
20 district also become exempt from the sales tax which is different
21 than the sales tax exemption under current law.

22 Under current law, the building materials, supplies, or
23 equipment sold to a rural water district for the construction
24 of facilities are exempt from the sales tax in Code section
25 423.3(38). The bill strikes the current rural water sales tax
26 exemption in Code section 423.3(38) so two separate and distinct
27 sales tax exemptions do not exist at the same time relating to
28 building materials, supplies, or equipment sold to a rural water
29 district.