

House Study Bill 774 - Introduced

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

A BILL FOR

1 An Act exempting sales and use taxes incurred for constructing
2 a regional water trail system by a nonprofit corporation,
3 and including effective date and retroactive applicability
4 provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 423.3, subsection 18, Code 2026, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. h. A nonprofit corporation that is a
4 designated exempt entity under section 423.4, subsection 1,
5 paragraph "a", subparagraph (11).

6 Sec. 2. Section 423.3, subsection 80, paragraph c,
7 subparagraph (1), Code 2026, is amended to read as follows:

8 (1) With regard to a written construction contract with a
9 designated exempt entity described in paragraph "a", subparagraph
10 (1), the sales price of building materials, supplies, equipment,
11 or services is exempt from tax by this subsection only to the
12 extent the building materials, supplies, equipment, or services
13 are completely consumed in the performance of the construction
14 contract with ~~the~~ a designated exempt entity, and only if the
15 property that is the subject of the construction project becomes
16 public property or the property of ~~the~~ a designated exempt
17 entity.

18 Sec. 3. Section 423.4, subsection 1, paragraph a, Code 2026,
19 is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (11) A domestic nonprofit corporation
21 organized under chapter 504 that has a majority of voting
22 board members appointed by political subdivisions of the state,
23 implements a regional recreational and dam safety plan, and
24 constructs horizontal and vertical infrastructure on land and
25 within rivers and watersheds as part of a regional water trail
26 system.

27 Sec. 4. EFFECTIVE DATE. This Act, being deemed of immediate
28 importance, takes effect upon enactment.

29 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
30 retroactively to January 1, 2025, to all tangible personal
31 property or specified digital products sold, or services
32 furnished, to a designated exempt entity described in section
33 423.4, subsection 1, paragraph "a", subparagraph (11), if enacted
34 by this Act, occurring on or after that date.

35 Sec. 6. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 2025, to building materials,
2 supplies, equipment, or services furnished to a contractor and
3 used in the performance of a written contract with a designated
4 exempt entity described in section 423.4, subsection 1, paragraph
5 "a", subparagraph (11), if enacted by this Act, occurring on or
6 after that date.

7
8 **EXPLANATION**

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

11 This bill exempts sales and use taxes incurred by a nonprofit
12 corporation for the construction of a regional water trail
13 system.

14 The bill makes a nonprofit corporation (nonprofit) organized
15 under Code chapter 504 a designated exempt entity, which allows
16 the nonprofit corporation to apply to the department of revenue
17 for the refund of the sales and use tax upon sales of building
18 materials, supplies, and equipment, or from services furnished,
19 by a contractor in the performance of a written contract with the
20 nonprofit. The nonprofit is generally defined to mean an Iowa
21 nonprofit corporation that has a majority of voting board members
22 appointed by political subdivisions of the state, that implements
23 a regional recreational and dam safety plan, and constructs a
24 regional water trail system.

25 The bill also exempts from the sales tax the sales price of
26 tangible personal property or specified digital products sold or
27 of services furnished to the nonprofit.

28 By designating the nonprofit a designated exempt entity under
29 the bill, construction services provided to the nonprofit also
30 become exempt from the sales tax under Code section 423.3(80).
31 The bill makes changes to Code section 423.3(80)(c)(1) to specify
32 written contracts with an exempt entity for the sales tax
33 exemption even if another designated exempt entity ultimately
34 owns the property subject to the construction project.

35 By operation of Code section 423.6, an item exempt from the
imposition of the sales tax is also exempt from the use tax

1 imposed in Code section 423.5.

2 The bill takes effect upon enactment and applies retroactively
3 to January 1, 2025, to all tangible personal property or
4 specified digital products sold, or services furnished, to the
5 designated exempt entity occurring on or after that date.

6 The bill also applies retroactively to January 1, 2025, to
7 building materials, supplies, equipment, or services furnished to
8 a contractor and used in the performance of a written contract
9 with the designated exempt entity occurring on or after that
10 date.

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