

**Senate File 200 - Introduced**

SENATE FILE 200  
BY SINCLAIR

**A BILL FOR**

1 An Act relating to the distribution of water exempt from taxation  
2 and the use of tax exemption certificates, and providing civil  
3 penalties.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. **421.72 Valid exemption certificate**  
2 **— penalty.**

3 1. As used in this section:

4 a. "*Exemption certificate*" means a valid certificate whether  
5 furnished by the department of revenue or the person using the  
6 water that exempts all or a portion of the person's use of water  
7 from the tax imposed pursuant to chapter 423 or 423G.

8 b. "*Water utility*" means a public utility as defined in  
9 section 476.1, subsection 2, paragraph "c".

10 2. A water utility shall accept and retain a valid exemption  
11 certificate and shall not unnecessarily require a person who  
12 presents a valid exemption certificate to obtain a sales or water  
13 service tax refund from the department of revenue rather than  
14 receiving the exemption.

15 3. a. A water utility that does not accept a valid exemption  
16 certificate shall pay a civil penalty to the department of  
17 revenue equal to the amount of tax refunded to the person who  
18 possessed a valid exemption certificate plus interest at the rate  
19 in effect under section 421.7.

20 b. The department of revenue shall deposit any penalties and  
21 interest collected pursuant to this section into the general fund  
22 of the state.

23 4. The department of revenue shall adopt rules to administer  
24 this section.

25 EXPLANATION

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

28 This bill relates to the distribution of water exempt from  
29 taxation.

30 The bill requires a water utility to accept and retain a  
31 valid exemption certificate and shall not unnecessarily require  
32 a person who presents a valid exemption certificate to obtain a  
33 sales or water service tax refund from the department of revenue  
34 rather than receiving the exemption.

35 A water utility that does not accept a valid exemption

1 certificate shall pay a civil penalty to the department of  
2 revenue equal to the amount of tax refunded to the person who  
3 possessed a valid exemption certificate plus interest.

4 The bill defines "exemption certificate" and "water utility".

5 The department of revenue is required to adopt rules to  
6 administer the bill.

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