

Senate File 2069 - Introduced

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BY KLIMESH

A BILL FOR

1 An Act imposing a tax on the transportation of liquefied carbon
2 dioxide through pipelines, and providing for penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 438.3, Code 2026, is amended by adding the
2 following new subsection:

3 NEW SUBSECTION. 13. Whether liquefied carbon dioxide is
4 transported through or within the state through the pipelines
5 owned, operated, or leased by the pipeline company, and whether
6 the liquefied carbon dioxide being transported is used in
7 enhanced oil recovery. As used in this subsection, "enhanced oil
8 recovery" means the same as defined in section 438A.1.

9 Sec. 2. NEW SECTION. **438A.1 Definitions.**

10 As used in this section:

11 1. "Department" means the department of revenue.

12 2. "Director" means the director of revenue.

13 3. "Enhanced oil recovery" means an advanced oil extraction
14 technique to remove stranded crude oil from a reservoir after the
15 use of primary or secondary extraction techniques.

16 4. "Pipeline company" means any person, partnership,
17 association, corporation, or syndicate that may own or operate or
18 be engaged in operating or utilizing pipelines, for the purpose
19 of transporting liquefied carbon dioxide as permitted pursuant to
20 chapter 479B.

21 Sec. 3. NEW SECTION. **438A.2 Taxation procedure.**

22 Every person, partnership, association, corporation, or
23 syndicate that is engaged in the business of transporting
24 liquefied carbon dioxide by means of pipelines permitted pursuant
25 to chapter 479B, whether such pipelines be owned or leased, shall
26 be taxed as provided in this chapter.

27 Sec. 4. NEW SECTION. **438A.3 Administration — rules.**

28 1. The department shall administer and enforce the tax
29 imposed by this chapter.

30 2. The department shall adopt rules pursuant to chapter 17A
31 to administer this chapter.

32 Sec. 5. NEW SECTION. **438A.4 Imposition of tax — notice.**

33 1. In addition to any other tax imposed in this state, there
34 shall be a tax imposed at a rate of two dollars and fifty
35 cents per metric ton of liquefied carbon dioxide transported by

1 a pipeline company within or through this state by means of a
2 pipeline to any recipient located within or outside the state.

3 2. Notwithstanding subsection 1, the rate shall be one dollar
4 per metric ton of liquefied carbon dioxide transported by a
5 pipeline company within or through this state by means of a
6 pipeline to any recipient located within or outside the state for
7 use in enhanced oil recovery.

8 3. A pipeline company subject to taxation under this section
9 shall notify the department of the date when liquefied carbon
10 dioxide begins to be transported through or within the state and
11 to what extent the liquefied carbon dioxide will be used for
12 enhanced oil recovery.

13 Sec. 6. NEW SECTION. **438A.5 Return and payment**
14 **requirements.**

15 1. Each pipeline company, on or before March 31 following
16 a tax year in which a pipeline company transported liquefied
17 carbon dioxide subject to tax imposed under this chapter, shall
18 file a return with the director including but not limited to the
19 following information:

20 a. The total taxable metric tons of liquefied carbon dioxide
21 transported through or within the state subject to tax imposed
22 pursuant to section 438A.4, subsection 1.

23 b. The total taxable metric tons of liquefied carbon dioxide
24 transported through or within the state subject to tax imposed
25 pursuant to section 438A.4, subsection 2.

26 c. The tax imposed by section 438A.4 due for the tax year.

27 2. In addition to the information under subsection 1, the
28 pipeline company shall submit sufficient information accompanying
29 the tax return, to the satisfaction of the department, that
30 verifies the amount of the liquefied carbon dioxide transported
31 through the state that is subject to tax under section 438A.4,
32 subsection 1 or 2.

33 3. A return shall be signed by an officer, or other person
34 duly authorized by the pipeline company, and must be certified as
35 correct.

1 Sec. 7. NEW SECTION. **438A.6 Revenues.**

2 All revenues received from imposition of the tax under this
3 chapter shall be deposited into the taxpayer relief fund created
4 in section 8.57E.

5 Sec. 8. NEW SECTION. **438A.7 Failure to file return —**
6 **incorrect return.**

7 1. As soon as practicable after a return required by section
8 438A.5 is filed, and in any event within three years after
9 such return is filed, the department shall examine the return,
10 determine the tax due if the return is found to be incorrect, and
11 give notice to the taxpayer of the determination as provided in
12 subsection 2. The period for the examination and determination
13 of the correct amount of tax is unlimited in the case of a false
14 or fraudulent return made with the intent to evade any tax or in
15 the case of a failure to file a return.

16 2. If a return required by section 438A.5 is not filed, or
17 if such return when filed is incorrect or insufficient and the
18 taxpayer fails to file a corrected or sufficient return within
19 twenty days after such return is required by notice from the
20 department, the department shall determine the amount of tax due
21 from information as the department may be able to obtain and,
22 if necessary, may estimate the tax due on the basis of external
23 indices. The department shall give notice of the determination
24 to the taxpayer liable for the tax. The determination shall
25 fix the tax unless the taxpayer against whom the tax is levied,
26 within sixty days after notice of the determination, applies
27 to the director for a hearing. At the hearing evidence may
28 be offered to support the determination or to prove that the
29 determination is incorrect. After the hearing the director shall
30 give notice of the decision to the person liable for the tax.

31 3. The three-year period of limitation provided in subsection
32 1 may be extended by the taxpayer by signing a waiver agreement
33 form provided by the department. The agreement shall stipulate
34 the period of extension and the tax period to which the extension
35 applies. The agreement shall also provide that a claim for

1 refund may be filed by the taxpayer at any time during the period
2 of extension.

3 Sec. 9. NEW SECTION. **438A.8 Judicial review.**

4 1. Judicial review of the actions of the department may be
5 sought pursuant to chapter 17A, the Iowa administrative procedure
6 Act.

7 2. For cause and upon a showing by the department that
8 collection of the tax in dispute is in doubt, the court may order
9 the petitioner to file with the clerk of the district court a
10 bond, with sureties approved by the clerk of the district court,
11 in the amount of the tax appealed from, conditioned upon the
12 performance by the petitioner of any orders of the court.

13 3. An appeal may be taken by the pipeline company or
14 the director to the supreme court irrespective of the amount
15 involved.

16 Sec. 10. NEW SECTION. **438A.9 State tax lien — actions**
17 **authorized.**

18 1. Whenever a pipeline company who is liable to pay a tax
19 imposed by this chapter refuses or neglects to pay such tax, the
20 amount, including any interest, penalty, or addition to such tax,
21 together with the costs that may accrue, shall be a state tax
22 lien to which the tax is owed upon all property and rights to
23 property, whether real or personal, belonging to the pipeline
24 company. The lien shall be prior to and superior over all
25 subsequent liens upon any personal property within this state,
26 or right to such personal property, belonging to the pipeline
27 company, without the necessity of recording the lien. The
28 requirement for recording, as applied to the tax imposed by this
29 chapter, shall apply only to a lien upon real property. The lien
30 may be preserved against subsequent mortgagees, purchasers, or
31 judgment creditors, for value and without notice of the lien,
32 on any real property situated in the state by filing with the
33 recorder of the county in which the real property is located a
34 notice of the lien.

35 2. The county recorder of each county shall index each lien

1 showing the applicable entries specified in sections 558.49
2 and 558.52 and showing, under the names of taxpayers arranged
3 alphabetically, all of the following:

- 4 a. The name of the pipeline company.
 - 5 b. The state of Iowa as claimant.
 - 6 c. Time the notice of lien was filed for recording.
 - 7 d. Date of notice.
 - 8 e. Amount of lien then due.
 - 9 f. Date of assessment.
 - 10 g. Date when the lien is satisfied.
- 11 3. The recorder shall endorse on each notice of lien the
12 day, hour, and minute when filed for recording and the document
13 reference number, shall preserve such notice, shall index the
14 notice in the index, and shall promptly record the lien in the
15 manner provided for recording real estate mortgages. The lien is
16 effective from the time of the indexing of the lien.
- 17 4. The state shall pay recording fees as provided in section
18 331.604, for the recording of the lien, or for its satisfaction.
- 19 5. Upon the payment of the tax as to which state has filed
20 notice with a county recorder, the state shall promptly file
21 with the recorder a satisfaction of the tax. The recorder shall
22 record the notice of satisfaction showing the applicable entries
23 specified in sections 558.49 and 558.52, and the revenues shall
24 be distributed as provided in section 438A.6.
- 25 6. Section 445.3 applies with respect to taxes, penalties,
26 and interest imposed by this chapter, except for the provisions
27 limiting the commencement of actions. In addition, chapters 446,
28 447, and 448 apply in the enforcement of the taxes imposed by
29 this chapter, but any tax deed issued shall not extinguish a
30 tax lien or judgment lien for taxes that have attached to the
31 property.

32 Sec. 11. NEW SECTION. **438A.10 Service of notice — no**
33 **limitation on enforcement.**

34 1. A notice authorized or required under this chapter may be
35 given by mailing the notice to the pipeline company, addressed

1 to the pipeline company at the address given in the last return
2 filed by the pipeline company pursuant to this chapter, or if
3 no return has been filed, then to the most recent address of
4 the pipeline company obtainable. The mailing of the notice is
5 presumptive evidence of the receipt of the notice by the pipeline
6 company to whom the notice is addressed. A period of time within
7 which some action must be taken for which notice is provided
8 under this section commences to run from the date of mailing of
9 the notice.

10 2. There is no limitation for the enforcement of a civil
11 remedy pursuant to any proceeding or action taken to levy,
12 assess, determine, or enforce the collection of any tax or
13 penalty due under this chapter.

14 Sec. 12. NEW SECTION. **438A.11 Penalties — offenses —**
15 **limitation.**

16 1. A pipeline company is subject to the penalty provisions in
17 section 421.27 with respect to any tax due under this chapter.
18 A pipeline company shall also pay interest on the delinquent tax
19 at the rate in effect under section 421.7 for each month computed
20 from the date the payment was due, counting each fraction of a
21 month as an entire month. The penalty and interest shall be paid
22 to the department of revenue. Unpaid penalties and interest may
23 be enforced in the same manner as provided for unpaid replacement
24 tax under this chapter.

25 2. A pipeline company, or officer, member, or employee of the
26 pipeline company, who willfully attempts to evade the tax imposed
27 or the payment of the tax is guilty of a class "D" felony.

28 3. The issuance of a certificate by the department stating
29 that a tax has not been paid, that a return has not been
30 filed, or that information has not been supplied pursuant to this
31 chapter is prima facie evidence of such failure.

32 4. A pipeline company, or officer, member, or employee of the
33 pipeline company, required to pay a replacement tax, or required
34 to make, sign, or file an annual return or supplemental return,
35 who willfully makes a false or fraudulent annual return, or who

1 willfully fails to pay at least ninety percent of the tax or
2 willfully fails to make, sign, or file the annual return, as
3 required, is guilty of a fraudulent practice.

4 5. For purposes of determining the place of trial for a
5 violation of this section, the situs of an offense is in the
6 county of the residence of the taxpayer, officer, member, or
7 employee of the taxpayer charged with the offense, unless the
8 taxpayer, officer, member, or employee of the taxpayer is a
9 nonresident of this state or the residence cannot be established,
10 in which event the situs of the offense is in Polk county.

11 6. Prosecution for an offense specified in this section
12 shall be commenced within six years after the commission of the
13 offense.

14 Sec. 13. NEW SECTION. **438A.12 Correction of errors —**
15 **refunds or credits of tax paid — information confidential —**
16 **penalty.**

17 1. a. If an amount of tax, penalty, or interest has been
18 paid which was not due under this chapter, the department shall
19 do one of the following:

20 (1) Credit the amount of the erroneous payment against any
21 tax due, or to become due, from the pipeline company.

22 (2) Refund the amount of the erroneous payment to the
23 pipeline company.

24 b. Claims for refund or credit of taxes paid shall be
25 filed with the director. A claim for refund or credit that
26 is not filed with the department within three years after the
27 tax payment upon which a refund or credit is claimed became
28 due, or one year after the tax payment was made, whichever
29 time is later, shall not be allowed. A claim for refund or
30 credit of tax alleged to be unconstitutional not filed with
31 the department within ninety days after the tax payment upon
32 which a refund or credit is claimed became due shall not be
33 allowed. As a precondition for claiming a refund or credit of
34 alleged unconstitutional taxes, such taxes must be paid under
35 written protest which specifies the particulars of the alleged

1 unconstitutional. Claims for refund or credit may only be
2 made by, and refunds or credits may only be made to, the person
3 responsible for paying the tax, or such person's successors.
4 Section 421.10 applies to denied claims.

5 2. It is unlawful for any present or former officer or
6 employee of the state to divulge or to make known in any manner
7 to any person the amount of liquefied carbon dioxide delivered by
8 a pipeline company disclosed on a tax return, return information,
9 or investigative or audit information. A person who violates
10 this section is guilty of a serious misdemeanor. If the offender
11 is an officer or employee of the state, such person, in addition
12 to any other penalty, shall also be dismissed from office or
13 discharged from employment. This section does not prohibit
14 turning over to duly authorized officers of the United States
15 or tax officials of other states such information pursuant to
16 agreement between the director and the secretary of the treasury
17 of the United States or the secretary's delegate or pursuant to a
18 reciprocal agreement with another state.

19 3. Unless otherwise expressly permitted by a section
20 referencing this chapter, the amount of liquefied carbon dioxide
21 delivered by a taxpayer in a service area shall not be divulged
22 to any person or entity, other than the taxpayer, the department
23 of revenue, or the internal revenue service for use in a matter
24 unrelated to tax administration. This prohibition precludes
25 persons or entities other than the taxpayer, the department of
26 revenue, or the internal revenue service from obtaining such
27 information from the department of revenue. A subpoena, order,
28 or process which requires the department of revenue to produce
29 such information to a person or entity, other than the taxpayer,
30 the department of revenue, or internal revenue service, for use
31 in a nontax proceeding is void.

32 **Sec. 14. NEW SECTION. 438A.13 Records.**

33 Each pipeline company that is subject to the tax imposed under
34 this chapter shall maintain records associated with the tax for a
35 period of five years following the later of the original due date

1 for filing a return pursuant to this chapter in which such taxes
2 are reported, or the date on which either such return is filed.
3 Such records shall include those associated with any additions or
4 dispositions of property.

5 EXPLANATION

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

8 This bill imposes a tax on the transportation of liquefied
9 carbon dioxide (carbon dioxide) through pipelines.

10 In addition to any other tax imposed in this state, the bill
11 imposes a tax on a pipeline company at a rate of \$2.50 per metric
12 ton of carbon dioxide transported by the pipeline company within
13 or through this state through a pipeline to any recipient located
14 within or outside the state.

15 The bill reduces the tax rate to \$1 per metric ton of carbon
16 dioxide transported through or within the state if the carbon
17 dioxide is used in enhanced oil recovery. The bill defines
18 "enhanced oil recovery" to mean an advanced oil extraction
19 technique to remove stranded crude oil from a reservoir after the
20 use of primary or secondary extraction techniques.

21 The bill directs the department of revenue (department) to
22 administer and enforce the tax, and requires the department to
23 adopt rules to administer the bill.

24 Beginning in 2027, every pipeline company having pipelines in
25 the state, along with other annual disclosures to the department
26 under Code section 438.3, shall disclose to the department
27 whether carbon dioxide is transported through or within the state
28 through the pipelines owned, operated, or leased by the pipeline
29 company, and whether the carbon dioxide being transported is used
30 in enhanced oil recovery.

31 The bill requires each pipeline company to file a return
32 before March 31 following the tax year in which a pipeline
33 company transported liquefied carbon dioxide subject to the tax
34 imposed under the bill. The return shall include all of the
35 following and any other requested information: (1) the total

1 taxable metric tons of liquefied carbon dioxide transported
2 through or within the state subject to the \$2.50 metric ton rate;
3 (2) the total taxable metric tons of liquefied carbon dioxide
4 transported through or within the state subject to the \$1 metric
5 ton rate; and (3) the amount of tax due for the year.

6 The revenues received from imposition of the tax under the
7 bill are credited to the taxpayer relief fund created in Code
8 section 8.57E.

9 The bill establishes procedures for the failure to file a
10 return or for filing an incorrect return.

11 The bill specifies the actions of the department are
12 subject to judicial review pursuant to Code chapter 17A (Iowa
13 administrative procedures Act). The bill also establishes
14 procedures for posting a bond when the amount of tax is in
15 dispute, and specifies an appeal may be taken by the pipeline
16 company or the director to the supreme court irrespective of the
17 amount involved.

18 The bill establishes procedures for a state tax lien if the
19 tax imposed is not paid. The lien is prior to and superior
20 to all subsequent liens on personal property within the state,
21 without the necessity of recording the lien. The bill requires a
22 lien on real property to be recorded. The lien may be preserved
23 against subsequent mortgagees, purchasers, or judgment creditors,
24 for value and without notice of the lien, on any real property
25 situated in the state by filing with the recorder of the county
26 in which the real property is located a notice of the lien.

27 The bill specifies there is no limitation for the enforcement
28 of a civil remedy pursuant to any proceeding or action taken to
29 levy, appraise, assess, determine, or enforce the collection of
30 any tax or penalty due under the bill.

31 A pipeline company, or officer, member, or employee of the
32 pipeline company, who willfully attempts to evade the tax imposed
33 or the payment of the tax is guilty of a class "D" felony.
34 A class "D" felony is punishable by confinement for no more
35 than five years and a fine of at least \$1,025 but not more

1 than \$10,245. The bill also specifies a person is guilty of a
2 fraudulent practice if the person willfully files a fraudulent
3 return, who willfully fails to pay 90 percent of the tax, or does
4 not sign or file the return. The bill requires a prosecution
5 for a criminal offense to be commenced within six years after the
6 commission of the offense.

7 The bill establishes procedures for correcting errors or
8 overpayment of taxes by allowing for refunds or crediting
9 overpayment on the return for the following tax year.

10 The bill also specifies the information provided on the return
11 is confidential information and employees of the department that
12 may have access to the return commit a serious misdemeanor
13 for improperly disclosing information about a pipeline company's
14 return. A serious misdemeanor is punishable by confinement for
15 no more than one year and a fine of at least \$430 but not more
16 than \$2,560.

17 The bill requires each pipeline company that is subject to the
18 tax to maintain records associated with the tax for a period of
19 five years. The records shall include those associated with any
20 additions or dispositions of property.