

Senate Study Bill 3181 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
DAWSON)

A BILL FOR

1 An Act making certain sales and use tax exemptions relating
2 to nuclear electric generation facilities, web search portal
3 businesses, and data center businesses contingent upon making
4 contributions to institutions of higher education governed by
5 the state board of regents.

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

unofficial

1 Section 1. NEW SECTION. **15E.371 Nuclear electric generation**
2 **facility agreement — agreement — required contribution.**

3 1. a. As a condition of receiving the nuclear electric
4 generation facilities sales tax exemption under section 423.3,
5 subsection 111, and prior to being eligible to receive the
6 exemption, the nuclear electric generation facility shall
7 enter into an agreement with the authority that provides a
8 minimum contribution for establishing and maintaining a nuclear
9 engineering program at one or more institutions of higher
10 education governed by the state board of regents. The agreement
11 shall, at a minimum, require the nuclear electric generation
12 facility to annually contribute at least five percent of the
13 aggregate value of the sales tax exemption provided in the annual
14 report to the department of revenue pursuant to section 423.3,
15 subsection 111, paragraph "d", for the previous calendar year.
16 The contribution shall be provided to one or more institutions
17 of higher education governed by the state board of regents that
18 establish and maintain a nuclear engineering program.

19 b. The agreement shall establish the date the exemption
20 begins including whether and to what extent the exemption applies
21 to any tangible personal property or specified digital products
22 sold or to services furnished prior to the agreement date.

23 c. The department of revenue shall annually provide the
24 aggregate value of the exemption contained in the annual report
25 to the authority as required by section 423.3, subsection 111,
26 paragraph "d".

27 2. The authority shall verify that the nuclear electric
28 generation facility made the contribution that meets the
29 requirements of subsection 1. If the nuclear electric generation
30 facility fails to make the required contribution described in
31 subsection 1, all of the following shall apply:

32 a. The authority shall notify the department of revenue,
33 and the department of revenue shall cancel the registration of
34 the nuclear electric generation facility under section 423.3,
35 subsection 111, and the nuclear electric generation facility

1 shall not be eligible for the exemption under section 423.3,
2 subsection 111.

3 b. The nuclear electric generation facility shall repay the
4 aggregate amount of the sales tax exemptions claimed in the
5 calendar year for which the nuclear electric generation facility
6 did not make the required contribution. Any repayment shall
7 be considered a tax payment due and payable to the department
8 of revenue by the nuclear electric generation facility, and the
9 failure to make the repayment may be treated by the department
10 of revenue in the same manner as a failure to pay the tax shown
11 due, or required to be shown due, with the filing of a return or
12 deposit form.

13 3. The authority may adopt rules pursuant to chapter 17A to
14 administer this section.

15 Sec. 2. NEW SECTION. **15E.372 Web search portal and data**
16 **center businesses — agreement — required contributions.**

17 1. As used in this section:

18 a. "Data center business" means the same as defined in
19 section 423.3, subsection 95, that is any of the following:

20 (1) New construction upon property completed on or after
21 January 1, 2027.

22 (2) New construction upon existing property completed on or
23 after January 1, 2027.

24 (3) Additions upon existing property occurring on or after
25 January 1, 2027.

26 b. "Web search portal business" means the same as defined in
27 section 423.3, subsection 92 or 93, that is any of the following:

28 (1) New construction upon property completed on or after
29 January 1, 2027.

30 (2) New construction upon existing property completed on or
31 after January 1, 2027.

32 (3) Additions upon existing property occurring on or after
33 January 1, 2027.

34 2. a. As a condition of receiving the sales tax exemption
35 under section 423.3, subsection 92, 93, or 95, and prior to

1 being eligible to receive the exemption, a web search portal
2 business or data center business shall enter into an agreement
3 with the authority that provides a minimum contribution for
4 establishing and maintaining a nuclear engineering program at
5 one or more state institutions of higher education governed by
6 the state board of regents. The agreement shall, at a minimum,
7 require the web search portal business or data center business
8 to annually contribute at least five percent of the aggregate
9 value of the sales tax exemption provided in the annual report to
10 the department of revenue pursuant to section 423.3, subsection
11 92, 93, or 95. The contribution shall be provided to one or
12 more institutions of higher education governed by the state board
13 of regents that establish and maintain a nuclear engineering
14 program.

15 b. The agreement shall establish the date the exemption
16 begins.

17 c. The department of revenue shall annually provide the
18 aggregate value of the exemption provided in the annual report
19 to the authority as required by section 423.3, subsection 92, 93,
20 or 95.

21 3. The authority shall verify that the web search portal
22 business or data center business made that meet the requirements
23 of subsection 2. If a web search portal business or data center
24 business fails to make the required contribution described in
25 subsection 2, all of the following shall apply:

26 a. The authority shall notify the department of revenue,
27 and the department of revenue shall cancel the registration of
28 the web search portal business or data center business under
29 section 423.3, subsection 92, 93, or 95, as applicable, and the
30 web search portal business or data center business shall not
31 be eligible for the sales tax exemption under section 423.3,
32 subsection 92, 93, or 95, as applicable.

33 b. The web search portal business or data center business
34 shall repay the aggregate amount of the sales tax exemptions
35 claimed in the calendar year for which the web search portal

1 business or data center business did not make the required
2 contribution. Any repayment shall be considered a tax payment
3 due and payable to the department of revenue by the web search
4 portal business or data center business, and the failure to make
5 the repayment may be treated by the department of revenue in the
6 same manner as a failure to pay the tax shown due, or required to
7 be shown due, with the filing of a return or deposit form.

8 4. The authority may adopt rules pursuant to chapter 17A to
9 administer this section.

10 Sec. 3. Section 423.3, subsection 92, paragraph a,
11 subparagraph (1), Code 2026, is amended to read as follows:

12 (1) The Except as otherwise provided under section 15E.372,
13 the sales price from the sale of computers and equipment that
14 are necessary for the maintenance and operation of a web search
15 portal and property whether directly or indirectly connected to
16 the computers, including but not limited to cooling systems,
17 cooling towers, and other temperature control infrastructure;
18 power infrastructure for transformation, distribution, or
19 management of electricity used for the maintenance and operation
20 of the web search portal, including but not limited to exterior
21 dedicated business-owned substations, backup power generation
22 systems, battery systems, and related infrastructure; and racking
23 systems, cabling, and trays, which are necessary for the
24 maintenance and operation of the web search portal.

25 Sec. 4. Section 423.3, subsection 92, paragraph b,
26 subparagraph (5), Code 2026, is amended to read as follows:

27 (5) (a) The web search portal business shall register with
28 the department as a web search portal. To maintain its
29 registration, the web search portal business shall file an
30 annual report with the department, by January 31, 2026, and by
31 each January 31 thereafter. The annual report shall describe
32 the backup power generation fuel and electricity purchased and
33 used in the previous calendar year for the purposes described
34 in paragraph "a", subparagraphs (2) and (3), and any other
35 information the department requires.

1 (b) (i) For a web search portal business subject to section
2 15E.372, beginning with the annual report due on or after January
3 31, 2027, the annual report shall also contain the aggregate
4 sales price amount of exempt property purchased under paragraph
5 "a", subparagraphs (1), (2), and (3).

6 (ii) If the economic development authority notifies the
7 department of revenue that the data center business is not in
8 compliance with section 15E.372, the department of revenue shall
9 cancel the registration of the web search portal business, and
10 the web search portal business shall not be eligible for the
11 exemption under this subsection.

12 Sec. 5. Section 423.3, subsection 93, paragraph a,
13 subparagraph (1), Code 2026, is amended to read as follows:

14 (1) The Except as otherwise provided under section 15E.372,
15 the sales price from the sale of computers and equipment
16 that are necessary for the maintenance and operation of a
17 web search portal business and property whether directly or
18 indirectly connected to the computers, including but not limited
19 to cooling systems, cooling towers, and other temperature
20 control infrastructure; power infrastructure for transformation,
21 distribution, or management of electricity used for the
22 maintenance and operation of the web search portal business,
23 including but not limited to exterior dedicated business-owned
24 substations, backup power generation systems, battery systems,
25 and related infrastructure; and racking systems, cabling, and
26 trays, which are necessary for the maintenance and operation of
27 the web search portal business.

28 Sec. 6. Section 423.3, subsection 93, paragraph b,
29 subparagraph (5), Code 2026, is amended to read as follows:

30 (5) (a) The web search portal business shall register with
31 the department as a web search portal business. To maintain
32 its registration, the web search portal business shall file an
33 annual report with the department, by January 31, 2026, and by
34 each January 31 thereafter. The annual report shall describe
35 the backup power generation fuel and electricity purchased and

1 used in the previous calendar year for the purposes described
2 in paragraph "a", subparagraphs (2) and (3), and any other
3 information the department requires.

4 (b) (i) For a web search portal business subject to section
5 15E.372, beginning with the annual report due on or after January
6 31, 2027, the annual report shall also contain the aggregate
7 sales price amount of exempt property purchased under paragraph
8 "a", subparagraphs (1), (2), and (3).

9 (ii) If the economic development authority notifies the
10 department of revenue that the data center business is not in
11 compliance with section 15E.372, the department of revenue shall
12 cancel the registration of the web search portal business, and
13 the web search portal business shall not be eligible for the
14 exemption under this subsection.

15 Sec. 7. Section 423.3, subsection 95, paragraph a,
16 subparagraph (1), Code 2026, is amended to read as follows:

17 (1) The Except as otherwise provided under section 15E.372,
18 the sales price from the sale of computers and equipment that
19 are necessary for the maintenance and operation of a data center
20 business and property whether directly or indirectly connected
21 to the computers, including but not limited to cooling systems,
22 cooling towers, and other temperature control infrastructure;
23 power infrastructure for transformation, distribution, or
24 management of electricity used for the maintenance and operation
25 of the data center business, including but not limited to
26 exterior dedicated business-owned substations, backup power
27 generation systems, battery systems, and related infrastructure;
28 and racking systems, cabling, and trays, which are necessary for
29 the maintenance and operation of the data center business.

30 Sec. 8. Section 423.3, subsection 95, paragraph b,
31 subparagraph (5), Code 2026, is amended to read as follows:

32 (5) (a) The data center business shall register with the
33 department as a data center business. To maintain its
34 registration, the data center business shall file an annual
35 report with the department, by January 31, 2026, and by each

1 January 31 thereafter. The annual report shall describe the
2 backup power generation fuel and electricity purchased in the
3 previous calendar year for the purposes described in paragraph
4 "a", subparagraphs (2) and (3), and any other information the
5 department requires.

6 (b) (i) For a data center business subject to section
7 15E.372, beginning with the annual report due on or after January
8 31, 2027, the annual report shall also contain the aggregate
9 sales price amount of exempt property purchased under paragraph
10 "a", subparagraphs (1), (2), and (3).

11 (ii) If the economic development authority notifies the
12 department of revenue that the data center business is not in
13 compliance with section 15E.372, the department of revenue shall
14 cancel the registration of the data center business, and the data
15 center business shall not be eligible for the exemption under
16 this subsection.

17 Sec. 9. Section 423.3, Code 2026, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 111. a. (1) To the extent permissible
20 in the agreement under section 15E.371, the sales price of
21 tangible personal property or specified digital products sold or
22 services furnished before, during, or after the site preparation,
23 construction, reconstruction, replacement, alteration, repair,
24 safe storage, maintenance, or restarting after decommissioning of
25 a nuclear electric generation facility.

26 (2) The tangible personal property, specified digital
27 products, and services furnished shall be directly and primarily
28 used for the purposes described in subparagraph (1).

29 b. This exemption does not apply to the following:

30 (1) Motor vehicles subject to registration under chapter 321.

31 (2) Tangible personal property or specified digital products
32 sold, or services furnished where the purchasing agent of
33 the nuclear electric generation facility fails to provide the
34 retailer with an exemption certificate.

35 c. This subsection shall not be construed to limit any other

1 exemptions applicable under this chapter.

2 d. (1) The nuclear electric generation facility shall
3 register with the department. To maintain its registration,
4 the nuclear electric generation facility shall file an annual
5 report with the department by January 31, and by each January 31
6 thereafter, that contains the following information:

7 (a) The aggregate sales price amount of exempt tangible
8 personal property or digital products sold and services furnished
9 from the previous calendar year.

10 (b) Any other information the department requires.

11 (2) The department shall calculate the aggregate value of the
12 exemption based upon the aggregate sales price amounts disclosed
13 in the annual report, and provide the aggregate value of the
14 exemption to the economic development authority as required in
15 section 15E.371.

16 (3) A nuclear electric generation facility that is not
17 registered with the department is not eligible to receive an
18 exemption under this subsection.

19 e. The department may adopt rules pursuant to chapter 17A to
20 administer this subsection.

21 f. For purposes of this subsection, "nuclear electric
22 generation facility" means a facility located in this state
23 that uses nuclear fission, fusion, or other nuclear processes
24 to generate electricity for sale or for use in the transmission
25 or distribution grid and is licensed by the federal nuclear
26 regulatory commission. A "nuclear electric generation facility"
27 includes facilities undergoing restart after a decommissioning
28 period and facilities in advanced stages of development or
29 obtaining federal licensing from the United States nuclear
30 regulatory commission. A "nuclear electric generation facility"
31 includes all of the following:

32 (1) Nuclear reactors, reactor fuel cores, reactor vessels,
33 steam generators, heat exchangers, turbine systems, control
34 rods, instrumentation, cooling systems, fuel handling and storage
35 systems, radiation shielding, radiation sources and other primary

1 nuclear generation components, and spent fuel storage.

2 (2) Structures and buildings housing nuclear generation
3 systems, including containment buildings, auxiliary buildings,
4 cooling towers, water intake or discharge structures, and on-site
5 storage facilities directly related to nuclear operations.

6 (3) Electrical generation and transformation equipment,
7 including turbines, generators, switchgear, transformers,
8 inverters, transmission structures, conductors, substations, and
9 associated power conditioning and control equipment.

10 (4) Equipment and systems used for safety, security,
11 radiation monitoring, emergency power, operator training,
12 maintenance training, safety-related equipment storage, and
13 warehousing.

14 (5) Environmental protection required for operation of the
15 facility.

16 (6) System materials, components, equipment, storage,
17 structures, and buildings associated with integrated systems that
18 enhance the flexibility of the system in delivering energy to the
19 electrical grid, including but not limited to the following:

20 (a) Systems that store and utilize thermal energy or
21 electrical energy from the nuclear electric generating facility
22 prior to delivering energy to the grid.

23 (b) Energy storage systems that utilize a transmission system
24 interconnection to the same physical substation as the nuclear
25 electric generating facility.

26 (7) Materials, supplies, and components permanently
27 incorporated into or consumed in the construction, repair, or
28 maintenance of a nuclear electric generation facility.

29 (8) Digital control systems, software, cybersecurity,
30 infrastructure, and physical security systems and equipment used
31 in the safe and compliant operation of the nuclear electric
32 generation facility.

33 (9) Equipment, materials, systems, and services required to
34 restart operations at a previously operational nuclear electric
35 generation facility that has ceased commercial operation,

1 including but not limited to refurbishment, modernization,
2 regulatory compliance upgrades, and relicensing activities.

3 EXPLANATION

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

6 This bill makes certain sales and use tax exemptions relating
7 to nuclear electric generation facilities, web search portal
8 businesses, and data center businesses contingent upon making
9 contributions to institutions of higher education governed by the
10 state board of regents.

11 NUCLEAR ELECTRIC GENERATION FACILITY — EXEMPTION. To the
12 extent permissible under an agreement required by the bill,
13 tangible personal property or specified digital products
14 sold and services furnished are exempted from the state
15 sales and use tax (exemption) before, during, or after the
16 site preparation, construction, reconstruction, replacement,
17 alteration, repair, safe storage, maintenance, or the restarting
18 after decommissioning of a nuclear electric generation facility.
19 The tangible personal property, specified digital products, and
20 services exempted are required to be directly and primarily used
21 for these purposes.

22 The bill defines "nuclear electric generation facility"
23 (facility) to mean a facility located in this state that
24 uses nuclear fission, fusion, or other nuclear processes to
25 generate electricity for sale or for use in the transmission
26 or distribution grid and is licensed by the federal nuclear
27 regulatory commission. The definition of facility in the bill
28 is comprehensive and includes but is not limited to nuclear
29 reactors, storage facilities, equipment, electrical generation,
30 and other structures.

31 AGREEMENT BY FACILITY. As a condition of receiving the
32 exemption created in the bill, a facility is required
33 to enter into an agreement with the economic development
34 authority (authority) that requires the facility to make a
35 minimum contribution for establishing and maintaining a nuclear

1 engineering program at an institution of higher education
2 governed by the state board of regents (regents institution).
3 The agreement shall, at a minimum, require the facility to
4 contribute at least 5 percent of the aggregate value of the
5 exemption received pursuant to the bill for the purpose of
6 establishing and maintaining a nuclear engineering program at a
7 regents institution.

8 The agreement with the authority shall establish the date
9 the exemption begins, including whether and to what extent
10 the exemption applies to any tangible personal property or
11 specified digital products sold, or services furnished prior to
12 the agreement date.

13 REPORTING BY FACILITY. The bill requires a facility to
14 register with the department. Beginning January 31, and each
15 January 31 thereafter, a facility receiving exemption is required
16 to file an annual report with the department of revenue
17 (DOR). The annual report shall provide the aggregate sales price
18 amount of tangible personal property, specified digital products,
19 and services that received an exemption in the previous calendar
20 year.

21 The bill requires DOR to calculate the aggregate value of the
22 exemption based upon the aggregate sales price amounts disclosed
23 in the annual report, and provide the aggregate value of the
24 exemption to the authority, for purposes of calculating the 5
25 percent contribution for establishing and maintaining a nuclear
26 engineering program at a regents institution.

27 WEB SEARCH PORTAL AND DATA CENTER BUSINESSES — AGREEMENT. For
28 a web search portal business or data center business (business)
29 that is new construction or an addition to an existing property
30 on or after January 1, 2027, and as a condition of receiving
31 the existing sales and use tax exemption, the business is
32 required to enter into an agreement with the authority that
33 requires the business to make the same minimum contribution for
34 establishing and maintaining a nuclear engineering program at a
35 regents institution as a nuclear electric generation facility.

1 The agreement shall, at a minimum, require the business to
2 contribute at least 5 percent of the aggregate value of the
3 exemption received pursuant to the bill for the purpose of
4 establishing and maintaining a nuclear engineering program at a
5 regents institution.

6 REPORTING. Currently, the sales and use tax exemption exists
7 for a business in Code section 423.3, subsection 92, 93, or
8 95. Beginning January 31, 2026, a business receiving a sales
9 and use tax exemption is required to register with DOR and file
10 an annual report with DOR. The annual report shall describe the
11 aggregate sales price amount of fuel or electricity purchased
12 that is exempt from sales and use tax in the previous calendar
13 year.

14 For a business that is new construction or an addition to an
15 existing property on or after January 1, 2027, the bill requires
16 the annual report to contain more information about the sales
17 and use tax exemption provided to the business by requiring the
18 annual report to contain the aggregate sales price amount of
19 all exempt property, including but not limited to computers,
20 equipment, cooling systems, and power systems.

21 In the same manner as the nuclear electric generation facility
22 exemption, the bill requires DOR to calculate the aggregate value
23 of the exemption based upon the aggregate sales price amounts
24 disclosed in the annual report, and provide the aggregate value
25 of the exemption to the authority, for purposes of calculating
26 the 5 percent contribution for establishing and maintaining a
27 nuclear engineering program at a regents institution.