

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:

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
9 a designated exempt entity described in paragraph "a",
10 subparagraph (1), the sales price of building materials,
11 supplies, equipment, or services is exempt from tax by
12 this subsection only to the extent the building materials,
13 supplies, equipment, or services are completely consumed in the
14 performance of the construction contract with ~~the~~ a designated
15 exempt entity, and only if the property that is the subject
16 of the construction project becomes public property or the
17 property of ~~the~~ a designated exempt 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 board
22 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
34 enacted 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
3 and used in the performance of a written contract with a
4 designated exempt entity described in section 423.4, subsection
5 1, paragraph "a", subparagraph (11), if enacted by this Act,
6 occurring on or after that date.

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

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

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

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

35 By operation of Code section 423.6, an item exempt from the

1 imposition of the sales tax is also exempt from the use tax
2 imposed in Code section 423.5.

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

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