

JAN 26 2006
WAYS AND MEANS

HOUSE FILE 2141
BY BELL

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing a sales and use tax exemption for certain
2 appliances that meet the energy efficiency rating established
3 for the appliances by the United States environmental
4 protection agency and providing an effective date.

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

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

HF 2141

1 Section 1. Section 423.3, Code Supplement 2005, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 89. The sales price from the sale of a
4 clothes washing machine, refrigerator, or dishwasher which
5 meets or exceeds the energy efficiency rating for the
6 applicable appliance under the energy star program established
7 by the United States environmental protection agency in
8 cooperation with the United States department of energy.

9 Sec. 2. INFORMATION TO PUBLIC. The department of revenue,
10 in consultation with manufacturers and retailers, and public
11 interest groups, shall develop public information programs and
12 materials to identify and encourage the sale of products
13 manufactured or assembled in the state which are eligible for
14 the tax exemption provided under section 1 of this Act.

15 Sec. 3. EFFECTIVE DATE. This Act takes effect January 1,
16 2007.

17 EXPLANATION

18 This bill exempts from sales and use taxes the purchase of
19 clothes washers, refrigerators, and dishwashers that meet
20 energy efficiency standards set under the federal energy star
21 program. This program was established through the cooperation
22 of the United States department of energy and the United
23 States environmental protection agency. The bill also directs
24 the department of revenue to work with manufacturers and
25 retailers to develop public information programs that identify
26 and encourage the sale of such products manufactured or
27 assembled in Iowa.

28 The bill takes effect January 1, 2007.

29
30
31
32
33
34
35

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2141 - Energy Star Appliance Sales & Use Tax (LSB 5928 HH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Representative Paul Bell

Description

House File 2141 exempts purchases of clothes washing machines, refrigerators, and dishwashers meeting Energy Star requirements from State and local option sales tax.

Energy Star is a program established by the Federal Environmental Protection Agency and Department of Energy. The Program identifies appliances meeting specific energy efficiency standards.

Assumptions

1. The following table provides U.S. Energy Star sales and price estimates.

Appliance	U.S. Annual Sales (Unit)	Energy Star % of Sales	Average Energy Star Price
Clothes Washer	9,060,000	29.0%	\$ 584
Dishwasher	7,424,000	87.0%	474
Refrigerator	11,040,000	38.0%	1,374

2. Iowans purchase 0.95% of appliances sold in the United States.
3. Energy Star percent of sales were taken from data published at www.northwestenergystar.com, upper Midwest region average for fourth quarter 2004.
4. The average price of each type of Energy Star compliant appliance was determined by dividing the models advertised for sale at Lowe.com and Sears.com into quarters based on price. The top priced model in the bottom quarter was determined, and the prices of the two retailers were averaged. Energy Star compliant side-by-side refrigerators, top loading washers, and built-in dishwashers were priced.
5. The State sales/use tax rate is 5.00%.
6. Statewide, local option sales tax revenue averages 1.2%.

Fiscal Impact

The sales tax exemption contained in HF 2141 would reduce net General Fund revenue by an estimated \$4.8 million per year and local option sales tax revenue by \$1.2 million per year.

Sources

Association of Home Appliance Manufacturers (www.aham.com)
Sears.com (sales price)
Lowe.com (sales price)
www.northwestenergystar.com

/s/ Holly M. Lyons

February 16, 2005