

MAR 22 2006
WAYS & MEANS CALENDAR

HOUSE FILE 2762
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2685)
(SUCCESSOR TO HSB 699)

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

A BILL FOR

1 An Act relating to state tax benefits for use of soy-based
2 transformer fluid by electric utilities and including
3 effective and applicability date provisions.

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

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HF 2762

1 Section 1. NEW SECTION. 422.11M SOY-BASED TRANSFORMER
2 FLUID TAX CREDIT.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a soy-based transformer fluid tax credit allowed under chapter
6 476D.

7 This section is repealed December 31, 2008.

8 Sec. 2. Section 422.33, Code Supplement 2005, is amended
9 by adding the following new subsection:

10 NEW SUBSECTION. 20. The taxes imposed under this division
11 shall be reduced by a soy-based transformer fluid tax credit
12 allowed under chapter 476D.

13 This subsection is repealed December 31, 2008.

14 Sec. 3. Section 423.4, Code Supplement 2005, is amended by
15 adding the following new subsection:

16 NEW SUBSECTION. 6. A person in possession of a soy-based
17 transformer fluid tax credit certificate issued pursuant to
18 chapter 476D may apply to the director for refund of the
19 amount of sales or use tax imposed and paid upon purchases
20 made by the applicant.

21 a. The refunds may be obtained only in the following
22 manner and under the following conditions:

23 (1) On forms furnished by the department and filed by
24 January 31 after the end of the calendar year in which the tax
25 credit certificate is to be applied, the applicant shall
26 report to the department the total amount of sales and use tax
27 paid during the reporting period on purchases made by the
28 applicant.

29 (2) The applicant shall separately list the amounts of
30 sales and use tax paid during the reporting period.

31 (3) If required by the department, the applicant shall
32 prove that the person making the sale has included the amount
33 thereof in the computation of the sales price of such person
34 and that such person has paid the tax levied by this
35 subchapter or subchapter III, based upon such computation of

1 the sales price.

2 (4) The applicant shall provide the tax credit
3 certificates issued pursuant to chapter 476D to the department
4 with the forms required by this paragraph "a".

5 b. If satisfied that the foregoing conditions and
6 requirements have been complied with, the director shall
7 refund the amount claimed by the applicant for an amount not
8 greater than the amount of tax credits issued in tax credit
9 certificates pursuant to chapter 476D.

10 c. This subsection is repealed December 31, 2008.

11 Sec. 4. NEW SECTION. 437A.17C REIMBURSEMENT FOR SOY-
12 BASED TRANSFORMER FLUID.

13 A person in possession of a soy-based transformer fluid tax
14 credit certificate issued pursuant to chapter 476D may apply
15 to the director for a reimbursement of the amount of taxes
16 imposed and paid by the person pursuant to this chapter in an
17 amount not more than the person received in soy-based
18 transformer fluid tax credit certificates pursuant to chapter
19 476D. To obtain the reimbursement, the person shall attach to
20 the return required under section 437A.8 the soy-based
21 transformer fluid tax credit certificates issued to the person
22 pursuant to chapter 476D and provide any other information the
23 director may require. The director shall direct a warrant to
24 be issued to the person for an amount equal to the tax imposed
25 and paid by the person pursuant to this chapter but for not
26 more than the amount of the soy-based transformer fluid tax
27 credit certificates attached to the return.

28 This section is repealed December 31, 2008.

29 Sec. 5. NEW SECTION. 476D.1 DEFINITIONS.

30 As used in this chapter, unless the context otherwise
31 requires:

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

33 2. "Electric utility" means a public utility furnishing
34 electricity as defined in section 476.1, a city utility as
35 defined in section 390.1, and an electric cooperative as

1 defined in section 390.1.

2 3. "Soy-based transformer fluid" means dielectric fluid
3 that contains at least ninety-eight percent soy-based
4 products.

5 Sec. 6. NEW SECTION. 476D.2 SOY-BASED TRANSFORMER FLUID
6 TAX CREDIT -- LIMIT.

7 1. An electric utility is eligible to receive a soy-based
8 transformer fluid tax credit which is equal to the costs
9 incurred by the utility during the tax year for the purchase
10 and replacement costs relating to the transition from using
11 nonsoy-based transformer fluid to using soy-based transformer
12 fluid. The costs eligible for the credit are limited to those
13 costs meeting all of the following requirements:

14 a. The costs were incurred after June 30, 2006, and before
15 January 1, 2008.

16 b. The costs were incurred in the first eighteen months of
17 the transition from using nonsoy-based transformer fluid to
18 using soy-based transformer fluid.

19 c. The credit for the purchase and replacement of soy-
20 based transformer fluid used in the transition is limited to
21 two dollars per gallon. The total number of gallons used in
22 the transition shall not exceed twenty thousand gallons per
23 electric utility.

24 If the electric utility elects to take the soy-based
25 transformer fluid tax credit, the electric utility shall not
26 deduct for Iowa tax purposes any amount of the costs incurred
27 in the transition to using soy-based transformer fluid which
28 is deductible for federal tax purposes.

29 2. Any credit used under chapter 422, division II or III,
30 which is in excess of the tax liability shall be refunded with
31 interest computed under section 422.25. In lieu of claiming a
32 refund, a taxpayer may elect to have the overpayment shown on
33 the taxpayer's final, completed return credited to the tax
34 liability for the following tax year.

35 3. An individual may claim the tax credit under chapter

1 422, division II, allowed a partnership, limited liability
2 company, S corporation, estate, or trust electing to have the
3 income taxed directly to the individual. The amount claimed
4 by the individual shall be based upon the pro rata share of
5 the individual's earnings of the partnership, limited
6 liability company, S corporation, estate, or trust.

7 4. The total amount of soy-based transformer fluid
8 eligible for a tax credit shall not exceed sixty thousand
9 gallons.

10 Sec. 7. NEW SECTION. 476D.3 TAX CREDIT CERTIFICATE
11 PROCEDURE.

12 1. An electric utility may apply to the department for the
13 soy-based transformer fluid tax credit by submitting to the
14 department all of the following:

15 a. A completed application in a form prescribed by the
16 department.

17 b. The receipts for the purchase and replacement costs
18 related to the transition from using nonsoy-based to soy-
19 based transformer fluid.

20 c. Any other information the department deems necessary.

21 2. An electric utility may seek assurance of the
22 availability of tax credits by getting approval from the
23 department for the tax credits by submitting an estimate of
24 the soy-based transformer fluid to be used during the
25 transition period prior to the utility entering into any
26 agreement to purchase the soy-based transformer fluid and
27 prior to the start of its transition period. If tax credits
28 are available, the department shall reserve the tax credits
29 for the electric utility. Prior approval under this
30 subsection shall be granted based upon the earliest date of
31 application. Prior approval under this subsection does not
32 eliminate the requirement for the electric utility to file the
33 application under subsection 1.

34 3. The department shall calculate the amount of the tax
35 credit for which the applicant is eligible and shall issue, or

1 in the case of prior approval under subsection 2, shall
2 reserve the tax credit certificate for that amount or notify
3 the applicant in writing of its refusal to do so. An
4 applicant whose application is denied may file an appeal with
5 the department within sixty days from the date of the denial
6 pursuant to the provisions of chapter 17A. However, the
7 denial of an application solely because of the lack of the
8 availability of tax credits is not appealable.

9 4. Each tax credit certificate shall contain the person's
10 name, address, and tax identification number, the amount of
11 tax credits, the first taxable year the certificate may be
12 used, the type of tax to which the tax credits shall be
13 applied, and any other information required by the department.
14 The tax credit certificate shall only list one type of tax to
15 which the amount of the tax credit may be applied. Once
16 issued by the department, the tax credit certificate shall not
17 be terminated or rescinded.

18 5. Once a tax credit certificate is issued pursuant to
19 this section, the tax credit may only be claimed against the
20 type of tax reflected on the certificate.

21 Sec. 8. NEW SECTION. 476D.4 RULES.

22 The department may adopt rules pursuant to chapter 17A for
23 the administration and enforcement of this chapter.

24 Sec. 9. NEW SECTION. 476D.5 APPLICABILITY -- REPEAL.

25 1. This chapter applies to tax years ending after June 30,
26 2006, and beginning before January 1, 2008.

27 2. This chapter is repealed December 31, 2008.

28 Sec. 10. EFFECTIVE DATE. This Act, being deemed of
29 immediate importance, takes effect upon enactment.

30 EXPLANATION

31 This bill provides a soy-based transformer fluid tax credit
32 under the individual and corporate income, sales and use, and
33 replacement taxes. Soy-based transformer fluid is
34 nonconductible fluid that contains at least 98 percent soy-
35 based products. The tax credit equals the costs incurred for

1 the purchase and replacement costs for electric utilities
2 related to the transition from using nonsoy-based transformer
3 fluid to using soy-based transformer fluid. The costs must
4 meet three other requirements: They were incurred after June
5 30, 2006, and before January 1, 2008, they were incurred in
6 the first 18 months of the transition to using soy-based
7 transformer fluid, and the credit of the soy-based transformer
8 fluid used in the transition is limited to \$2 per gallon, up
9 to 20,000 gallons per electric utility. The total amount of
10 soy-based transformer fluid eligible for a tax credit is not
11 to exceed 60,000 gallons. Any excess credit is refundable.
12 In order for an electric utility to know if the tax credits
13 are available, it may seek prior approval of the tax credit by
14 applying prior to purchase of the soy-based transformer fluid
15 and the transition period. If prior approval is granted, the
16 estimated amount of tax credits would be reserved for the
17 electric utility. The credit applies to tax years ending
18 after June 30, 2006, and beginning before January 1, 2008.
19 The credit is repealed December 31, 2008.

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HOUSE FILE 2762

H-8568

1 Amend House File 2762 as follows:

2 1. Page 4, by striking lines 17 through 19 and
3 inserting the following:

4 "b. A copy of a signed purchase agreement or other
5 agreement to purchase soy-based transformer fluid."

6 2. By striking page 4, line 21, through page 5,
7 line 8, and inserting the following:

8 "2. The department shall calculate the amount of
9 the tax credit for which the applicant is eligible and
10 shall issue the tax credit certificate for that amount
11 or notify the applicant in writing of its refusal to
12 do so. An applicant whose application is denied may
13 file an appeal with the department within sixty days
14 from the date of the denial pursuant to the provisions
15 of chapter 17A."

16 3. Page 5, line 9, by striking the figure "4."
17 and inserting the following: "3."

18 4. Page 5, line 18, by striking the figure "5."
19 and inserting the following: "4."

20 5. Page 5, by striking lines 28 and 29.

21 6. Title page, line 3, by striking the words
22 "effective and".

By DRAKE of Pottawattamie

H-8568 FILED APRIL 24, 2006

ADOPTED.

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2762 – Soy-Based Transformer Fluid Tax Credit (LSB 6456 HZ)
Analyst: Jeff Robinson (Phone: [515] 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2762 creates an income tax credit for the purchase and replacement cost related to the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. Soy-based transformer fluid is defined as a nonconductible fluid containing at least 98% soy-based products. The credit can be applied to corporate income, sales, and replacement taxes.

The credit is allowed for tax years ending after June 30, 2006, and beginning before January 1, 2008. The credit is \$2.00 per gallon for a maximum of 60,000 gallons.

Fiscal Impact

The tax credit established in HF 2762 will reduce the net sales tax liability of electric utilities by a maximum of \$120,000. The credits will be redeemed or the tax refunded during FY 2007.

Source

Legislative Services Agency analysis

/s/ Holly M. Lyons

March 27, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Drake, Chair
Mertz
Lalk

HSB 699

Agriculture

Succeeded By

HOUSE FILE

SF (HF) 2685 +

BY (PROPOSED COMMITTEE ON 2762

AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to state tax benefits for use of soy-based
2 transformer fluid by electric utilities and including
3 applicability date provisions.

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2 FLUID TAX CREDIT.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a soy-based transformer fluid tax credit allowed under chapter
6 476D.

7 This section is repealed December 31, 2008.

8 Sec. 2. Section 422.33, Code Supplement 2005, is amended
9 by adding the following new subsection:

10 NEW SUBSECTION. 20. The taxes imposed under this division
11 shall be reduced by a soy-based transformer fluid tax credit
12 allowed under chapter 476D.

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14 Sec. 3. Section 423.4, Code Supplement 2005, is amended by
15 adding the following new subsection:

16 NEW SUBSECTION. 6. A person in possession of a soy-based
17 transformer fluid tax credit certificate issued pursuant to
18 chapter 476D may apply to the director for refund of the
19 amount of sales or use tax imposed and paid upon purchases
20 made by the applicant.

21 a. The refunds may be obtained only in the following
22 manner and under the following conditions:

23 (1) On forms furnished by the department and filed by
24 January 31 after the end of the calendar year in which the tax
25 credit certificate is to be applied, the applicant shall
26 report to the department the total amount of sales and use tax
27 paid during the reporting period on purchases made by the
28 applicant.

29 (2) The applicant shall separately list the amounts of
30 sales and use tax paid during the reporting period.

31 (3) If required by the department, the applicant shall
32 prove that the person making the sale has included the amount
33 thereof in the computation of the sales price of such person
34 and that such person has paid the tax levied by this
35 subchapter or subchapter III, based upon such computation of

1 the sales price.

2 (4) The applicant shall provide the tax credit
3 certificates issued pursuant to chapter 476D to the department
4 with the forms required by this paragraph "a".

5 b. If satisfied that the foregoing conditions and
6 requirements have been complied with, the director shall
7 refund the amount claimed by the applicant for an amount not
8 greater than the amount of tax credits issued in tax credit
9 certificates pursuant to chapter 476D.

10 c. This subsection is repealed December 31, 2008.

11 Sec. 4. NEW SECTION. 437A.17C REIMBURSEMENT FOR SOY-
12 BASED TRANSFORMER FLUID.

13 A person in possession of a soy-based transformer fluid tax
14 credit certificate issued pursuant to chapter 476D may apply
15 to the director for a reimbursement of the amount of taxes
16 imposed and paid by the person pursuant to this chapter in an
17 amount not more than the person received in soy-based
18 transformer fluid tax credit certificates pursuant to chapter
19 476D. To obtain the reimbursement, the person shall attach to
20 the return required under section 437A.8 the soy-based
21 transformer fluid tax credit certificates issued to the person
22 pursuant to chapter 476D and provide any other information the
23 director may require. The director shall direct a warrant to
24 be issued to the person for an amount equal to the tax imposed
25 and paid by the person pursuant to this chapter but for not
26 more than the amount of the soy-based transformer fluid tax
27 credit certificates attached to the return.

28 This section is repealed December 31, 2008.

29 Sec. 5. NEW SECTION. 476D.1 DEFINITIONS.

30 As used in this chapter, unless the context otherwise
31 requires:

32 1. "Board" means the utilities board within the utilities
33 division of the department of commerce.

34 2. "Department" means the department of revenue.

35 3. "Electric utility" means a public utility furnishing

1 electricity as defined in section 476.1, a city utility as
2 defined in section 390.1, and an electric cooperative as
3 defined in section 390.1.

4 4. "Soy-based transformer fluid" means dielectric fluid
5 that contains at least ninety-eight percent soy-based
6 products.

7 Sec. 6. NEW SECTION. 476D.2 SOY-BASED TRANSFORMER FLUID
8 TAX CREDIT -- LIMIT.

9 1. An electric utility is eligible to receive a soy-based
10 transformer fluid tax credit which is equal to the costs
11 incurred by the utility during the tax year for the purchase
12 and replacement costs relating to the transition from using
13 nonsoy-based transformer fluid to using soy-based transformer
14 fluid. The costs eligible for the credit are limited to those
15 costs meeting all of the following requirements:

16 a. The costs were incurred after June 30, 2006, and before
17 January 1, 2008.

18 b. The costs were incurred in the first eighteen months of
19 the transition from using nonsoy-based transformer fluid to
20 using soy-based transformer fluid.

21 c. The credit for the purchase and replacement of soy-
22 based transformer fluid used in the transition is limited to
23 two dollars per gallon. The total number of gallons used in
24 the transition shall not exceed twenty thousand gallons per
25 electric utility.

26 If the electric utility elects to take the soy-based
27 transformer fluid tax credit, the electric utility shall not
28 deduct for Iowa tax purposes any amount of the costs incurred
29 in the transition to using soy-based transformer fluid which
30 is deductible for federal tax purposes.

31 2. Any credit used under chapter 422, division II or III,
32 which is in excess of the tax liability shall be refunded with
33 interest computed under section 422.25. In lieu of claiming a
34 refund, a taxpayer may elect to have the overpayment shown on
35 the taxpayer's final, completed return credited to the tax

1 liability for the following tax year.

2 3. An individual may claim the tax credit under chapter
3 422, division II, allowed a partnership, limited liability
4 company, S corporation, estate, or trust electing to have the
5 income taxed directly to the individual. The amount claimed
6 by the individual shall be based upon the pro rata share of
7 the individual's earnings of the partnership, limited
8 liability company, S corporation, estate, or trust.

9 4. The total amount of soy-based transformer fluid
10 eligible for a tax credit shall not exceed sixty thousand
11 gallons.

12 Sec. 7. NEW SECTION. 476D.3 TAX CREDIT CERTIFICATE
13 PROCEDURE.

14 1. An electric utility may apply to the board for the soy-
15 based transformer fluid tax credit by submitting to the board
16 all of the following:

17 a. A completed application in a form prescribed by the
18 board.

19 b. A copy of the determination granting approval of the
20 electric utility as an eligible electric utility by the board.

21 c. A copy of a signed purchase agreement or other
22 agreement to purchase soy-based transformer fluid.

23 d. Any other information the board deems necessary.

24 2. The board shall notify the department of the amount of
25 soy-based transformer fluid purchased by an eligible electric
26 utility. The department shall calculate the amount of the tax
27 credit for which the applicant is eligible and shall issue the
28 tax credit certificate for that amount or notify the applicant
29 in writing of its refusal to do so. An applicant whose
30 application is denied may file an appeal with the department
31 within sixty days from the date of the denial pursuant to the
32 provisions of chapter 17A.

33 3. Each tax credit certificate shall contain the person's
34 name, address, and tax identification number, the amount of
35 tax credits, the first taxable year the certificate may be

1 used, the type of tax to which the tax credits shall be
2 applied, and any other information required by the department.
3 The tax credit certificate shall only list one type of tax to
4 which the amount of the tax credit may be applied. Once
5 issued by the department, the tax credit certificate shall not
6 be terminated or rescinded.

7 4. Once a tax credit certificate is issued pursuant to
8 this section, the tax credit may only be claimed against the
9 type of tax reflected on the certificate.

10 Sec. 8. NEW SECTION. 476D.4 RULES.

11 The department and the board may adopt rules pursuant to
12 chapter 17A for the administration and enforcement of this
13 chapter.

14 Sec. 9. NEW SECTION. 476D.5 APPLICABILITY -- REPEAL.

15 1. This chapter applies to tax years ending after June 30,
16 2006, and beginning before January 1, 2008.

17 2. This chapter is repealed December 31, 2008.

18 EXPLANATION

19 This bill provides a soy-based transformer fluid tax credit
20 under the individual and corporate income, sales and use, and
21 replacement taxes. Soy-based transformer fluid is
22 nonconductible fluid that contains at least 98 percent soy-
23 based products. The tax credit equals the costs incurred for
24 the purchase and replacement costs for electric utilities
25 related to the transition from using nonsoy-based transformer
26 fluid to using soy-based transformer fluid. The costs must
27 meet three other requirements: They were incurred after June
28 30, 2006, and before January 1, 2008, they were incurred in
29 the first 18 months of the transition to using soy-based
30 transformer fluid, and the credit of the soy-based transformer
31 fluid used in the transition is limited to \$2 per gallon, up
32 to 20,000 gallons per electric utility. The total amount of
33 soy-based transformer fluid eligible for a tax credit is not
34 to exceed 60,000 gallons. Any excess credit is refundable.
35 The credit applies to tax years ending after June 30, 2006,

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1 and beginning before January 1, 2008. The credit is repealed
2 December 31, 2008.

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