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HSB 121
Agriculture

HOUSE FILE ^{Succ de} SF 433
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON KLEMME)

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

A BILL FOR

1 An Act providing an income tax credit relating to sales of
2 certain ethanol blended gasoline, making penalties applicable,
3 and providing an applicability date.

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

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1 Section 1. NEW SECTION. 422.11C DESIGNATED ETHANOL
2 BLENDED GASOLINE TAX CREDIT.

3 1. As used in this section, unless the context otherwise
4 requires:

5 a. "Dealer" means a dealer as defined in section 452A.2
6 who is licensed pursuant to section 452A.4.

7 b. "Designated ethanol blended gasoline" or "designated
8 gasoline" means ethanol blended gasoline having an octane
9 number of less than eighty nine according to standards adopted
10 by the department of agriculture and land stewardship pursuant
11 to section 214A.2.

12 c. "Ethanol blended gasoline" means the same as defined in
13 section 452A.2.

14 d. "Gasoline" means gasoline that meets the specifications
15 required by the department of agriculture and land stewardship
16 pursuant to section 214A.2 that is dispensed through a metered
17 pump.

18 e. "Metered pump" means a motor vehicle fuel pump licensed
19 by the department of agriculture and land stewardship pursuant
20 to chapter 214.

21 f. "Sell" means to sell on a retail basis.

22 g. "Tax credit" means the designated ethanol blended
23 gasoline tax credit as provided in this section.

24 2. The taxes imposed under this division, less the credits
25 allowed under sections 422.12 and 422.12B, shall be reduced by
26 a designated ethanol blended gasoline tax credit for each tax
27 year that the taxpayer is eligible to claim the tax credit
28 under this section. In order to be eligible, all of the
29 following must apply:

30 a. The taxpayer is a dealer.

31 b. More than sixty percent of gasoline sold and dispensed
32 through a metered pump by the taxpayer is designated gasoline.

33 c. The taxpayer complies with requirements of the
34 department required to administer this section. The
35 department may require that a dealer claiming a tax credit be

1 certified to claim the tax credit, maintain records that the
 2 dealer is eligible for the tax credit, or periodically report
 3 to the department information that for each location at which
 4 gasoline is dispensed, the total amount of gasoline sold and
 5 dispensed through metered pumps, the amount of the gasoline
 6 classified as designated ethanol blended gasoline sold and
 7 dispensed through metered pumps, and the percentage of
 8 gasoline sold and dispensed through metered pumps that is
 9 classified as designated ethanol blended gasoline. The
 10 department may make the requirements applicable under this
 11 section or section 452A.9A.

12 A certificate, record, or report required under this
 13 subsection shall be certified by the dealer under penalties
 14 for false certification as provided in section 714.8.

15 3. The amount of the tax credit is equal to the product of
 16 two cents multiplied by the total number of gallons of
 17 designated gasoline that is sold and dispensed through a
 18 metered pump by the taxpayer for the tax year.

19 4. Any credit in excess of the taxpayer's tax liability
 20 shall be refunded. In lieu of claiming a refund, the taxpayer
 21 may elect to have the overpayment shown on the taxpayer's
 22 final, completed return credited to the tax liability for the
 23 following tax year.

24 5. An individual may claim the tax credit allowed a
 25 partnership, limited liability company, S corporation, estate,
 26 or trust electing to have the income taxed directly to the
 27 individual. The amount claimed by the individual shall be
 28 based upon the pro rata share of the individual's earnings of
 29 a partnership, limited liability company, S corporation,
 30 estate, or trust.

31 Sec. 2. Section 422.33, Code 2001, is amended by adding
 32 the following new subsection:

33 NEW SUBSECTION. 11. a. As used in this subsection,
 34 unless the context otherwise requires:

35 (1) "Dealer", "designated ethanol blended gasoline",

1 "designated ethanol blended gasoline" or "designated
2 gasoline", "gasoline", "metered pump", and "sell" mean the
3 same as defined in section 422.11C.

4 (2) "Tax credit" means the designated ethanol blended
5 gasoline tax credit as provided in this section.

6 b. The taxes imposed under this division shall be reduced
7 by a designated ethanol blended gasoline tax credit for each
8 tax year that the taxpayer is eligible to claim the tax credit
9 under this section. In order to be eligible, all of the
10 following must apply:

11 (1) The taxpayer is a dealer.

12 (2) More than sixty percent of gasoline sold and dispensed
13 through a metered pump by the taxpayer is designated gasoline.

14 (3) The taxpayer complies with requirements of the
15 department required to administer this subsection. The
16 department may require that a dealer claiming a tax credit be
17 certified to claim the tax credit, maintain records that the
18 dealer is eligible for the tax credit, or periodically report
19 to the department information that for each location at which
20 gasoline is dispensed, the total amount of gasoline sold and
21 dispensed through metered pumps, the amount of the gasoline
22 classified as designated ethanol blended gasoline sold and
23 dispensed through metered pumps, and the percentage of
24 gasoline sold and dispensed through metered pumps that is
25 classified as designated ethanol blended gasoline. The
26 department may make the requirements applicable under this
27 subsection or section 452A.9A.

28 A certificate, record, or report required under
29 subparagraph (3) shall be certified by the dealer under
30 penalties for false certification as provided in section
31 714.8.

32 c. The amount of the tax credit is equal to the product of
33 two cents multiplied by the total number of gallons of
34 designated gasoline that is sold and dispensed through a
35 metered pump by the taxpayer for the tax year.

1 d. Any credit in excess of the taxpayer's tax liability
2 shall be refunded. In lieu of claiming a refund, the taxpayer
3 may elect to have the overpayment shown on the taxpayer's
4 final, completed return credited to the tax liability for the
5 following tax year.

6 Sec. 3. NEW SECTION. 452A.9A DESIGNATED ETHANOL BLENDED
7 GASOLINE TAX CREDIT.

8 The department may require that a dealer claiming a
9 designated ethanol blended gasoline tax credit as provided in
10 section 422.11C or section 452.33 be certified to claim the
11 tax credit, maintain records that the dealer is eligible for
12 the tax credit, or periodically report to the department
13 information as otherwise required under those provisions as
14 part of the department's administration of this chapter.

15 Sec. 4. APPLICABILITY. This Act applies to tax years
16 beginning on or after January 1, 2002.

17 EXPLANATION

18 This bill provides an income tax credit for retail dealers
19 of gasoline (referred to as "dealers") who sell ethanol
20 blended gasoline having an octane number of not less than 89
21 (referred to as "designated ethanol blended gasoline" or
22 "designated gasoline"). The tax credit applies to both
23 taxpayers filing as individuals under Code section 422.11C and
24 businesses under Code section 422.33.

25 In order to claim the tax credit, more than 60 percent of
26 gasoline sold and dispensed through a metered pump by the
27 dealer must be designated gasoline. The amount of the tax
28 credit is equal to the product of two cents multiplied by the
29 total number of gallons of designated gasoline that the dealer
30 sells and dispenses. Any credit in excess of the taxpayer's
31 tax liability may be refunded or carried over to the following
32 tax year. The bill provides that an individual may claim the
33 tax credit allowed a partnership, limited liability company, S
34 corporation, estate, or trust electing to have the income
35 taxed directly to the individual.

1 The bill provides that the department may require that a
2 dealer claiming a tax credit as provided in Code section
3 422.11B be certified to claim the tax credit, maintain records
4 that the dealer is eligible for the tax credit, or
5 periodically report to the department information regarding
6 the sale of gasoline including designated gasoline. A person
7 who falsifies information is guilty of a fraudulent practice
8 as provided in Code section 714.8.

9 The bill applies to tax years beginning on or after January
10 1, 2002.

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WAYS AND MEANS

HOUSE FILE 433

BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 121)

WITHDRAWN
1/15/02

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

A BILL FOR

1 An Act providing for taxes relating to the sale of ethanol
2 blended gasoline, making penalties applicable, and providing
3 for the Act's applicability.

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

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HF 433

1 Section 1. NEW SECTION. 422.11C ETHANOL BLENDED GASOLINE
2 TAX CREDIT.

3 1. As used in this section, unless the context otherwise
4 requires:

5 a. "Ethanol blended gasoline" means the same as defined in
6 section 452A.2.

7 b. "Gasoline" means gasoline that meets the specifications
8 required by the department of agriculture and land stewardship
9 pursuant to section 214A.2 that is dispensed through a metered
10 pump.

11 c. "Metered pump" means a motor vehicle fuel pump licensed
12 by the department of agriculture and land stewardship pursuant
13 to chapter 214.

14 d. "Retail dealer" means a retail dealer as defined in
15 section 214A.1 who operates a metered pump at a service
16 station.

17 e. "Sell" means to sell on a retail basis.

18 f. "Service station" means each geographic location in
19 this state where a retail dealer sells and dispenses gasoline
20 on a retail basis.

21 g. "Tax credit" means the designated ethanol blended
22 gasoline tax credit as provided in this section.

23 2. The taxes imposed under this division, less the credits
24 allowed under sections 422.12 and 422.12B, shall be reduced by
25 an ethanol blended gasoline tax credit for each tax year that
26 the taxpayer is eligible to claim the tax credit under this
27 section. In order to be eligible, all of the following must
28 apply:

29 a. The taxpayer is a retail dealer.

30 b. The taxpayer operates at least one service station at
31 which more than sixty percent of the total gallons of gasoline
32 sold and dispensed through one or more metered pumps by the
33 taxpayer in the tax year is ethanol blended gasoline.

34 c. The taxpayer complies with requirements of the
35 department required to administer this section.

1 3. For each service station, the department shall to the
2 extent necessary in order to administer this section, require
3 that a retail dealer claiming a tax credit be certified to
4 claim the tax credit, maintain records that the retail dealer
5 is eligible for the tax credit, or periodically report to the
6 department information about the total amount of gasoline sold
7 and dispensed through metered pumps, the amount of ethanol
8 blended gasoline sold and dispensed through metered pumps, and
9 the percentage of gasoline sold and dispensed through metered
10 pumps that is ethanol blended gasoline. The department may
11 make the requirements applicable under this section or section
12 452A.9A. If the department requires the taxpayer to report
13 the information to the department, the information is a public
14 record subject to examination and copying under section 22.2.

15 A certificate, record, or report required under this
16 section shall be certified by the retail dealer under
17 penalties for false certification as provided in section
18 714.8.

19 4. The tax credit shall be calculated separately for each
20 service station site operated by the taxpayer. The amount of
21 the tax credit for each eligible service station is two and
22 one-half cents multiplied by the total number of gallons of
23 ethanol blended gasoline sold and dispensed through all
24 metered pumps located at that service station during the tax
25 year in excess of sixty percent of all gasoline sold and
26 dispensed through metered pumps at that service station during
27 the tax year.

28 5. Any credit in excess of the taxpayer's tax liability
29 shall be refunded. In lieu of claiming a refund, the taxpayer
30 may elect to have the overpayment shown on the taxpayer's
31 final, completed return credited to the tax liability for the
32 following tax year.

33 6. An individual may claim the tax credit allowed a
34 partnership, limited liability company, S corporation, estate,
35 or trust electing to have the income taxed directly to the

1 individual. The amount claimed by the individual shall be
2 based upon the pro rata share of the individual's earnings of
3 a partnership, limited liability company, S corporation,
4 estate, or trust.

5 Sec. 2. Section 422.33, Code 2001, is amended by adding
6 the following new subsection:

7 NEW SUBSECTION. 11. a. As used in this subsection,
8 unless the context otherwise requires:

9 (1) "Ethanol blended gasoline", "gasoline", "metered
10 pump", "retail dealer", "sell", and "service station", mean
11 the same as defined in section 422.11C.

12 (2) "Tax credit" means the designated ethanol blended
13 gasoline tax credit as provided in this subsection.

14 b. The taxes imposed under this division shall be reduced
15 by an ethanol blended gasoline tax credit for each tax year
16 that the taxpayer is eligible to claim the tax credit under
17 this subsection. In order to be eligible, all of the
18 following must apply:

19 (1) The taxpayer is a retail dealer.

20 (2) The taxpayer operates at least one service station at
21 which more than sixty percent of the total gallons of gasoline
22 sold and dispensed through one or more metered pumps by the
23 taxpayer is ethanol blended gasoline.

24 (3) The taxpayer complies with requirements of the
25 department required to administer this subsection.

26 c. For each service station, the department shall to the
27 extent necessary in order to administer this subsection,
28 require that a retail dealer claiming a tax credit be
29 certified to claim the tax credit, maintain records that the
30 retail dealer is eligible for the tax credit, or periodically
31 report to the department information about the total amount of
32 gasoline sold and dispensed through metered pumps, the amount
33 of the gasoline classified as designated ethanol blended
34 gasoline sold and dispensed through metered pumps, and the
35 percentage of gasoline sold and dispensed through metered

1 pumps that is ethanol blended gasoline. The department may
2 make the requirements applicable under this subsection or
3 section 452A.9A. If the department requires the taxpayer to
4 report the information, the information is a public record and
5 subject to examination and copying under section 22.2.

6 A certificate, record, or report required under this
7 paragraph shall be certified by the retail dealer under
8 penalties for false certification as provided in section
9 714.8.

10 d. The tax credit shall be calculated separately for each
11 service station site operated by the taxpayer. The amount of
12 the tax credit for each eligible service station is two and
13 one-half cents multiplied by the total number of gallons of
14 ethanol blended gasoline sold and dispensed through all
15 metered pumps located at that service station during the tax
16 year in excess of sixty percent of all gasoline sold and
17 dispensed through metered pumps at that service station during
18 the tax year.

19 e. Any credit in excess of the taxpayer's tax liability
20 shall be refunded. In lieu of claiming a refund, the taxpayer
21 may elect to have the overpayment shown on the taxpayer's
22 final, completed return credited to the tax liability for the
23 following tax year.

24 Sec. 3. Section 452A.3, subsection 1, Code 2001, is
25 amended by striking the subsection and inserting in lieu
26 thereof the following:

27 1. Except as otherwise provided in this section and in
28 this division, until June 30, 2007, this subsection shall
29 apply to the excise tax imposed on each gallon of motor fuel
30 used for any purpose for the privilege of operating motor
31 vehicles in this state.

32 a. The rate of the excise tax shall be based on the number
33 of gallons of ethanol blended gasoline that is distributed in
34 this state as expressed as a percentage of the number of
35 gallons of motor fuel distributed in this state, which is

1 referred to as the distribution percentage. The department
2 shall determine the percentage basis for each determination
3 period beginning January 1 and ending December 31. The rate
4 for the excise tax shall apply for the period beginning July 1
5 and ending June 30 following the end of the determination
6 period. Information compiled by the department in order to
7 make its determination shall be a public record subject to
8 examination and copying under section 22.2.

9 b. The rate for the excise tax shall be as follows:

10 (1) If the distribution percentage is not greater than
11 fifty percent, the rate shall be nineteen cents for ethanol
12 blended gasoline and twenty cents for motor fuel other than
13 ethanol blended gasoline.

14 (2) If the distribution percentage is greater than fifty
15 percent but not greater than fifty-five percent, the rate
16 shall be nineteen cents for ethanol blended gasoline and
17 twenty and one-tenth cents for motor fuel other than ethanol
18 blended gasoline.

19 (3) If the distribution percentage is greater than fifty-
20 five percent but not greater than sixty percent, the rate
21 shall be nineteen cents for ethanol blended gasoline and
22 twenty and three-tenths cents for motor fuel other than
23 ethanol blended gasoline.

24 (4) If the distribution percentage is greater than sixty
25 percent but not greater than sixty-five percent, the rate
26 shall be nineteen cents for ethanol blended gasoline and
27 twenty and five-tenths cents for motor fuel other than ethanol
28 blended gasoline.

29 (5) If the distribution percentage is greater than sixty-
30 five percent but not greater than seventy percent, the rate
31 shall be nineteen cents for ethanol blended gasoline and
32 twenty and seven-tenths cents for motor fuel other than
33 ethanol blended gasoline.

34 (6) If the distribution percentage is greater than seventy
35 percent but not greater than seventy-five percent, the rate

1 shall be nineteen cents for ethanol blended gasoline and
2 twenty-one cents for motor fuel other than ethanol blended
3 gasoline.

4 (7) If the distribution percentage is greater than
5 seventy-five percent but not greater than eighty percent, the
6 rate shall be nineteen and three-tenths cents for ethanol
7 blended gasoline and twenty and eight-tenths cents for motor
8 fuel other than ethanol blended gasoline.

9 (8) If the distribution percentage is greater than eighty
10 percent but not greater than eighty-five percent, the rate
11 shall be nineteen and five-tenths cents for ethanol blended
12 gasoline and twenty and seven-tenths cents for motor fuel
13 other than ethanol blended gasoline.

14 (9) If the distribution percentage is greater than eight-
15 five percent but not greater than ninety percent, the rate
16 shall be nineteen and seven-tenths cents for ethanol blended
17 gasoline and twenty and four-tenths cents for motor fuel other
18 than ethanol blended gasoline.

19 (10) If the distribution percentage is greater than ninety
20 percent but not greater than ninety-five percent, the rate
21 shall be nineteen and nine-tenths cents for ethanol blended
22 gasoline and twenty and one-tenth cents for motor fuel other
23 than ethanol blended gasoline.

24 (11) If the distribution percentage is greater than
25 ninety-five percent, the rate shall be twenty cents for
26 ethanol blended gasoline and twenty cents for motor fuel other
27 than ethanol blended gasoline.

28 1A. Except as otherwise provided in this section and in
29 this division, after June 30, 2007, an excise tax of twenty
30 cents is imposed on each gallon of motor fuel used for any
31 purpose for the privilege of operating motor vehicles in this
32 state.

33 Sec. 4. Section 452A.3, subsection 2, paragraph b, Code
34 2001, is amended by striking the paragraph.

35 Sec. 5. NEW SECTION. 452A.9A ETHANOL BLENDED GASOLINE

1 TAX CREDIT.

2 The department shall to the extent necessary in order to
3 administer this section, require that a dealer claiming an
4 ethanol blended gasoline tax credit as provided in section
5 422.11C or section 422.33 be certified to claim the tax
6 credit, maintain records that the dealer is eligible for the
7 tax credit, or periodically report to the department
8 information as otherwise required under those provisions as
9 part of the department's administration of this chapter. If
10 the department requires the taxpayer to report the information
11 to the department, the information is a public record subject
12 to examination and copying under section 22.2.

13 Sec. 6. APPLICABILITY.

14 1. Notwithstanding section 452A.3, as amended in this Act,
15 the excise tax imposed upon motor vehicle fuel, including
16 ethanol blended gasoline, as provided in that section shall be
17 the same as provided in that section on June 30, 2001, until
18 July 1, 2002. The excise tax for the period beginning July 1,
19 2002, and ending June 30, 2003, and for each subsequent
20 period, shall be based on a determination made by the
21 department of revenue and finance as provided in section
22 452A.3, subsection 1.

23 2. The ethanol blended gasoline tax credits provided in
24 sections 422.11C, 422.33, and 452A.9A apply to tax years
25 beginning on or after January 1, 2002. The department of
26 revenue and finance shall perform functions, prior to the
27 beginning of that tax year, necessary in order to implement
28 the tax credits.

29 EXPLANATION

30 This bill provides for the sale of ethanol blended
31 gasoline. According to Code section 452A.2, this means motor
32 fuel containing at least 10 percent alcohol distilled from
33 cereal grains.

34 The bill provides an income tax credit for retail dealers
35 of gasoline who sell ethanol blended gasoline. The tax credit

1 applies to both taxpayers filing as individuals under Code
2 section 422.11C and businesses under Code section 422.33. The
3 bill provides for the tax credit for each service station at
4 which more than 60 percent of the total gallons of gasoline
5 sold by the taxpayer is ethanol blended gasoline. The amount
6 of the tax credit is 2 1/2 cents multiplied by the total
7 number of gallons of ethanol blended gasoline sold at that
8 service station during the tax year. The bill also provides
9 for refund or carryforward of any credit in excess of the
10 taxpayer's liability.

11 The bill also amends provisions in Code section 452A.3 that
12 provides for an excise tax on each gallon of motor fuel sold
13 in the state. The general rate is 20 cents per gallon. The
14 section provides for a number of exceptions. One exception
15 provides that until June 30, 2007, the rate is 19 cents per
16 gallon of ethanol blended gasoline. The bill provides that
17 until that date the general rate and the special rate for
18 ethanol blended gasoline is determined each year beginning on
19 July 1 and ending on June 30 based on a determination by the
20 department of revenue and finance, based on the number of
21 gallons of ethanol blended gasoline that is distributed in
22 this state. The general rate is between 20 cents and 20.8
23 cents and the special rate for ethanol blended gasoline is
24 between 19 and 20 cents.

25 The bill contains special applicability provisions. It
26 provides that the tax credit applies to tax years beginning on
27 and after January 1, 2002. It also provides that the excise
28 tax provisions apply on and after July 1, 2002.

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