

Behn  
Bartz  
Gaskill  
Kibbie  
Shearer

SSB-1176

Agriculture  
Succeeded By

SENATE FILE SF/HF 320  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CHAIRPERSON McLAREN)

Passed Senate, Date \_\_\_\_\_ Passed House, 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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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 eighty-  
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 provide for an excise tax on each gallon of motor fuel sold in  
 13 the state. The general rate is 20 cents per gallon. The  
 14 section provides 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 by the department of revenue and  
 20 finance, based on the number of gallons of ethanol blended  
 21 gasoline distributed in this state. The general rate is  
 22 between 20 cents and 20.8 cents and the special rate for  
 23 ethanol blended gasoline is between 19 and 20 cents.

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

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FILED MAR 1 '01

SENATE FILE 320  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 1176)

Passed Senate, Date \_\_\_\_\_ Passed House, 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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SF 320

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 eighty-  
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 provide for an excise tax on each gallon of motor fuel sold in  
13 the state. The general rate is 20 cents per gallon. The  
14 section provides 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 by the department of revenue and  
20 finance, based on the number of gallons of ethanol blended  
21 gasoline distributed in this state. The general rate is  
22 between 20 cents and 20.8 cents and the special rate for  
23 ethanol blended gasoline is between 19 and 20 cents.

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

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**SENATE FILE 320  
FISCAL NOTE**

A fiscal note for **Senate File 320** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 320 creates tax incentives designed to increase the use of gasoline containing at least 10.0% alcohol blended from grain cereals (ethanol).

The Bill creates an individual or corporate income tax credit equal to 2.5 cents for each gallon of ethanol sold at a retail service station above a 60.0% threshold. The threshold is calculated by dividing the total number of ethanol gallons sold in a calendar year at the station by the total number of ethanol and gasoline gallons sold at that station during the same year. The tax credit is first available for ethanol gallons sold in calendar year 2002.

The Bill also provides for changes in the per-gallon tax on gasoline and ethanol. Currently, the State taxes gasoline at 20.0 cents per gallon and ethanol at 19.0 cents. The Bill provides for changes in the tax rates based on the gallons of ethanol sold in the State during the previous calendar year compared to the total gallons of ethanol and gasoline sold during the same period. The following tax schedule would first be implemented on July 1, 2002, and would be effective through June 30, 2007.

x\r374x	Ethanol Percentage	Ethanol Tax	Gasoline Tax
	0% - 50%	19.0	20.0
	50% - 55%	19.0	20.1
	55% - 60%	19.0	20.3
	60% - 65%	19.0	20.5
	65% - 70%	19.0	20.7
	70% - 75%	19.0	21.0
	75% - 80%	19.3	20.8
	80% - 85%	19.5	20.7
	85% - 90%	19.7	20.4
	90% - 95%	19.9	20.1
	95% - 100%	20.0	20.0

**ASSUMPTIONS**

1. The price of gasoline will stay above \$1.25 per gallon, and the price of corn will not rise to the point where production of ethanol for motor fuel is not economically feasible.
2. The federal tax difference between gasoline and ethanol will not be reduced.
3. Total gasoline and ethanol sold in Iowa in 2002 will be 1.601 billion gallons (3.6% above actual 2000), and the total volume will grow by 1.8% each year through 2007.

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4. The total gallons of ethanol sold in Iowa in 2002 will be \$880.0 million (13.0% above actual 2000) and will grow by 5.0% each year through 2007.
5. In 2002, 57.0% of all ethanol sold in Iowa will be sold at stations with ethanol sales volumes greater than 60.0% of that station's total sales of gasoline and ethanol, and the percentage will grow by 3.0% each year through 2007.
6. The average ethanol sales percentage at stations meeting the 60.0% threshold will be 66.0% in 2002 and will grow by 2.0% each year.
7. Without the Bill, the percentage of ethanol sold in Iowa will be 55.0% from 2002 through 2007.
8. With the Bill, the petroleum sales volumes and the percent of ethanol will be as projected above.

**FISCAL IMPACT**

The tax credit portion of the Bill will decrease General Fund revenues from corporate and individual income tax receipts starting in FY 2003. The projected impact is:

FY 2003 - \$0.8 million  
FY 2004 - \$1.2 million  
FY 2005 - \$1.6 million  
FY 2006 - \$2.2 million  
FY 2007 - \$2.9 million

The gasoline and ethanol tax portion of the Bill will first impact Road Use Tax Fund revenues in FY 2003. The ethanol tax incentives in the Bill will cause the percentage of ethanol sold to increase, which will lower Road Use Tax Fund receipts due to the one cent differential in the State tax rate. The provisions of the Bill raising the tax on gasoline as the percentage of ethanol sold increases will increase revenue to the Fund. It is projected that the increased gasoline tax will more than offset the decrease in revenue due to the increased ethanol market share. The projected increase is \$700,000 to \$1.8 million per year.

Under current federal law, an increase in ethanol sales reduces federal highway funds received by Iowa. The amount of federal fuel tax revenues remitted by a state to the federal Highway Trust Fund is used as a factor in determining federal highway apportionments to states. Because the federal tax on ethanol is 5.3 cents per gallon less than gasoline, increasing sales percentage of ethanol will decrease Iowa's contribution to the federal Highway Trust Fund, which in turn will reduce Iowa's apportionment of revenues from the Fund. The amount of impact on the Road Use Tax Fund cannot be estimated because the federal Transportation Reauthorization Act sunsets on October 1, 2003, and a new Reauthorization Act could have substantially different provisions.

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SOURCES

Department of Revenue and Finance, Fuel Tax Monthly Report  
Legislative Fiscal Bureau

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