

Behn
Bartz
Gaskill
Kibbie
Shearer

SSB-1176
Agriculture
Succeeded By
SF/HF 518

SENATE FILE _____
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:

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

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.

28
 29
 30
 31
 32
 33
 34
 35

Substituted for by HF 716
4-26-01 (P. 1345)

FILED APR 4 2001

WITHDRAWN

SENATE FILE 518
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 320)

(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:

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

SF 518

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.

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

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

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

31 6. An individual may claim the tax credit allowed a
32 partnership, limited liability company, S corporation, estate,
33 or trust electing to have the income taxed directly to the
34 individual. The amount claimed by the individual shall be
35 based upon the pro rata share of the individual's earnings of

1 a partnership, limited liability company, S corporation,
2 estate, or trust.

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

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

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

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

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

17 (1) The taxpayer is a retail dealer.

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

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

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

1 section 452A.9A.

2 A certificate, record, or report required under this
3 paragraph shall be certified by the retail dealer under
4 penalties for false certification as provided in section
5 714.8.

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

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

20 Sec. 3. Section 452A.3, subsection 1, Code 2001, is
21 amended by striking the subsection and inserting in lieu
22 thereof the following:

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

28 a. The rate of the excise tax shall be based on the number
29 of gallons of ethanol blended gasoline that is distributed in
30 this state as expressed as a percentage of the number of
31 gallons of motor fuel distributed in this state, which is
32 referred to as the distribution percentage. The department
33 shall determine the percentage basis for each determination
34 period beginning January 1 and ending December 31. The rate
35 for the excise tax shall apply for the period beginning July 1

1 and ending June 30 following the end of the determination
2 period. Information compiled by the department in order to
3 make its determination shall be a public record subject to
4 examination and copying under section 22.2.

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

6 (1) If the distribution percentage is not greater than
7 fifty percent, the rate shall be nineteen cents for ethanol
8 blended gasoline and twenty cents for motor fuel other than
9 ethanol blended gasoline.

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

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

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

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

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

35 (7) If the distribution percentage is greater than

1 seventy-five percent but not greater than eighty percent, the
2 rate shall be nineteen and three-tenths cents for ethanol
3 blended gasoline and twenty and eight-tenths cents for motor
4 fuel other than ethanol blended gasoline.

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

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

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

20 (11) If the distribution percentage is greater than
21 ninety-five percent, the rate shall be twenty cents for
22 ethanol blended gasoline and twenty cents for motor fuel other
23 than ethanol blended gasoline.

24 1A. Except as otherwise provided in this section and in
25 this division, after June 30, 2007, an excise tax of twenty
26 cents is imposed on each gallon of motor fuel used for any
27 purpose for the privilege of operating motor vehicles in this
28 state.

29 Sec. 4. Section 452A.3, subsection 2, paragraph b, Code
30 2001, is amended by striking the paragraph.

31 Sec. 5. NEW SECTION. 452A.9A ETHANOL BLENDED GASOLINE
32 TAX CREDIT.

33 The department shall to the extent necessary in order to
34 administer this section, require that a dealer claiming an
35 ethanol blended gasoline tax credit as provided in section

1 422.11C or section 422.33 be certified to claim the tax
2 credit, maintain records that the dealer is eligible for the
3 tax credit, or periodically report to the department
4 information as otherwise required under those provisions as
5 part of the department's administration of this chapter.

6 Sec. 6. APPLICABILITY.

7 1. Notwithstanding section 452A.3, as amended in this Act,
8 the excise tax imposed upon motor vehicle fuel, including
9 ethanol blended gasoline, as provided in that section shall be
10 the same as provided in that section on June 30, 2001, until
11 July 1, 2002. The excise tax for the period beginning July 1,
12 2002, and ending June 30, 2003, and for each subsequent
13 period, shall be based on a determination made by the
14 department of revenue and finance as provided in section
15 452A.3, subsection 1.

16 2. The ethanol blended gasoline tax credits provided in
17 sections 422.11C, 422.33, and 452A.9A apply to tax years
18 beginning on or after January 1, 2002. The department of
19 revenue and finance shall perform functions, prior to the
20 beginning of that tax year, necessary in order to implement
21 the tax credits.

22 EXPLANATION

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

27 The bill provides an income tax credit for retail dealers
28 of gasoline who sell ethanol blended gasoline. The tax credit
29 applies to both taxpayers filing as individuals under Code
30 section 422.11C and businesses under Code section 422.33. The
31 bill provides for the tax credit for each service station at
32 which more than 60 percent of the total gallons of gasoline
33 sold by the taxpayer is ethanol blended gasoline. The amount
34 of the tax credit is 2 1/2 cents multiplied by the total
35 number of gallons of ethanol blended gasoline sold at that

1 service station that is in excess of 60 percent of all
2 gasoline sold at the service station during the tax year. The
3 bill also provides for refund or carryforward of any credit in
4 excess of the taxpayer's liability.

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

18 The bill contains special applicability provisions. It
19 provides that the tax credit applies to tax years beginning on
20 and after January 1, 2002. It also provides that the excise
21 tax provisions apply on and after July 1, 2002.

22
23
24
25
26
27
28
29
30
31
32
33
34
35

SENATE FILE 518

S-3493

1 Amend Senate File 518 as follows:

2 1. By striking everything after the enacting
3 clause, and inserting the following:

4 "Section 1. Section 15.333, subsection 1, Code
5 Supplement 1999, as amended by 2000 Iowa Acts, chapter
6 1213, section 1, is amended to read as follows:

7 1. An eligible business may claim a corporate tax
8 credit up to a maximum of ten percent of the new
9 investment which is directly related to new jobs
10 created by the location or expansion of an eligible
11 business under the program. Any credit in excess of
12 the tax liability for the tax year may be credited to
13 the tax liability for the following seven years or
14 until depleted, whichever occurs earlier. Subject to
15 prior approval by the department of economic
16 development in consultation with the department of
17 revenue and finance, an eligible business whose
18 project primarily involves the production of value-
19 added agricultural products may elect to refund all or
20 a portion of an unused tax credit. For purposes of
21 this section, an eligible business includes a
22 cooperative described in section 521 of the Internal
23 Revenue Code which is not required to file an Iowa
24 corporate income tax return, and whose project
25 primarily involves the production of ethanol. The
26 refund may be used against a tax liability imposed
27 under chapter 422, division II, III, or V. If the
28 business is a partnership, subchapter S corporation,
29 limited liability company, or estate or trust electing
30 to have the income taxed directly to the individual,
31 an individual may claim the tax credit allowed. The
32 amount claimed by the individual shall be based upon
33 the pro rata share of the individual's earnings of the
34 partnership, subchapter S corporation, limited
35 liability company, or estate or trust. For purposes
36 of this section, "new investment directly related to
37 new jobs created by the location or expansion of an
38 eligible business under the program" means the cost of
39 machinery and equipment, as defined in section 427A.1,
40 subsection 1, paragraphs "e" and "j", purchased for
41 use in the operation of the eligible business, the
42 purchase price of which has been depreciated in
43 accordance with generally accepted accounting
44 principles, and the cost of improvements made to real
45 property which is used in the operation of the
46 eligible business and which receives a partial
47 property tax exemption for the actual value added
48 under section 15.332.

49 1A. An eligible business whose project primarily
50 involves the production of value-added agricultural

S-3493

S-3493

Page 2

1 products, that elects to receive a refund of all or a
2 portion of an unused tax credit, shall apply to the
3 department of economic development for tax credit
4 certificates. An eligible business whose project
5 primarily involves the production of value-added
6 agricultural products shall not claim a tax credit
7 under this section unless a tax credit certificate
8 issued by the department of economic development is
9 attached to the taxpayer's tax return for the tax year
10 during which the tax credit is claimed. For purposes
11 of this section, an eligible business includes a
12 cooperative described in section 521 of the Internal
13 Revenue Code which is not required to file an Iowa
14 corporate income tax return, and whose project
15 primarily involves the production of ethanol. A tax
16 credit certificate shall not be valid until the tax
17 year following the date of the project completion. A
18 tax credit certificate shall contain the taxpayer's
19 name, address, tax identification number, the date of
20 project completion, the amount of the tax credit,
21 other information required by the department of
22 revenue and finance. The department of economic
23 development shall not issue tax credit certificates
24 which total more than four million dollars during a
25 fiscal year. If the department receives applications
26 for tax credit certificates in excess of four million
27 dollars, the applicants shall receive certificates for
28 a prorated amount. The tax credit certificates shall
29 not be transferred. For a cooperative described in
30 section 521 of the Internal Revenue Code that is not
31 required to file an Iowa corporate income tax return,
32 the department of economic development shall require
33 that the cooperative submit a list of its members and
34 the share of each member's interest in the
35 cooperative. The department shall issue a tax credit
36 certificate to each member contained on the submitted
37 list.

38 Sec. 2. NEW SECTION. 422.11C ETHANOL BLENDED
39 GASOLINE TAX CREDIT.

40 1. As used in this section, unless the context
41 otherwise requires:

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

44 b. "Gasoline" means gasoline that meets the
45 specifications required by the department of
46 agriculture and land stewardship pursuant to section
47 214A.2 that is dispensed through a metered pump.

48 c. "Metered pump" means a motor vehicle fuel pump
49 licensed by the department of agriculture and land
50 stewardship pursuant to chapter 214.

S-3493

-2-

S-3493

Page 3

1 d. "Retail dealer" means a retail dealer as
2 defined in section 214A.1 who operates a metered pump
3 at a service station.
4 e. "Sell" means to sell on a retail basis.
5 f. "Service station" means each geographic
6 location in this state where a retail dealer sells and
7 dispenses gasoline on a retail basis.
8 g. "Tax credit" means the designated ethanol
9 blended gasoline tax credit as provided in this
10 section.

11 2. The taxes imposed under this division, less the
12 credits allowed under sections 422.12 and 422.12B,
13 shall be reduced by an ethanol blended gasoline tax
14 credit for each tax year that the taxpayer is eligible
15 to claim the tax credit under this section. In order
16 to be eligible, all of the following must apply:

17 a. The taxpayer is a retail dealer.
18 b. The taxpayer operates at least one service
19 station at which more than sixty percent of the total
20 gallons of gasoline sold and dispensed through one or
21 more metered pumps by the taxpayer in the tax year is
22 ethanol blended gasoline.
23 c. The taxpayer complies with requirements of the
24 department required to administer this section.

25 3. The tax credit shall be calculated separately
26 for each service station site operated by the
27 taxpayer. The amount of the tax credit for each
28 eligible service station is two and one-half cents
29 multiplied by the total number of gallons of ethanol
30 blended gasoline sold and dispensed through all
31 metered pumps located at that service station during
32 the tax year in excess of sixty percent of all
33 gasoline sold and dispensed through metered pumps at
34 that service station during the tax year.

35 4. Any credit in excess of the taxpayer's tax
36 liability shall be refunded. In lieu of claiming a
37 refund, the taxpayer may elect to have the overpayment
38 shown on the taxpayer's final, completed return
39 credited to the tax liability for the following tax
40 year.

41 5. An individual may claim the tax credit allowed
42 a partnership, limited liability company, S
43 corporation, estate, or trust electing to have the
44 income taxed directly to the individual. The amount
45 claimed by the individual shall be based upon the pro
46 rata share of the individual's earnings of a
47 partnership, limited liability company, S corporation,
48 estate, or trust.

49 Sec. 3. Section 422.33, Code 2001, is amended by
50 adding the following new subsection:

S-3493

-3-

S-3493

Page 4

1 NEW SUBSECTION. 11. a. As used in this
2 subsection, unless the context otherwise requires:
3 (1) "Ethanol blended gasoline", "gasoline",
4 "metered pump", "retail dealer", "sell", and "service
5 station" mean the same as defined in section 422.11C.
6 (2) "Tax credit" means the designated ethanol
7 blended gasoline tax credit as provided in this
8 subsection.

9 b. The taxes imposed under this division shall be
10 reduced by an ethanol blended gasoline tax credit for
11 each tax year that the taxpayer is eligible to claim
12 the tax credit under this subsection. In order to be
13 eligible, all of the following must apply:
14 (1) The taxpayer is a retail dealer.
15 (2) The taxpayer operates at least one service
16 station at which more than sixty percent of the total
17 gallons of gasoline sold and dispensed through one or
18 more metered pumps by the taxpayer is ethanol blended
19 gasoline.
20 (3) The taxpayer complies with requirements of the
21 department required to administer this subsection.

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

32 d. Any credit in excess of the taxpayer's tax
33 liability shall be refunded. In lieu of claiming a
34 refund, the taxpayer may elect to have the overpayment
35 shown on the taxpayer's final, completed return
36 credited to the tax liability for the following tax
37 year.

38 Sec. 4. Section 452A.3, subsection 1, Code 2001,
39 is amended by striking the subsection and inserting in
40 lieu thereof the following:
41 1. Except as otherwise provided in this section
42 and in this division, until June 30, 2007, this
43 subsection shall apply to the excise tax imposed on
44 each gallon of motor fuel used for any purpose for the
45 privilege of operating motor vehicles in this state.
46 a. The rate of the excise tax shall be based on
47 the number of gallons of ethanol blended gasoline that
48 is distributed in this state as expressed as a
49 percentage of the number of gallons of motor fuel
50 distributed in this state, which is referred to as the

S-3493

Page 5

1 distribution percentage. The department shall
2 determine the percentage basis for each determination
3 period beginning January 1 and ending December 31.
4 The rate for the excise tax shall apply for the period
5 beginning July 1 and ending June 30 following the end
6 of the determination period.

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

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

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

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

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

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

33 (6) If the distribution percentage is greater than
34 seventy percent but not greater than seventy-five
35 percent, the rate shall be nineteen cents for ethanol
36 blended gasoline and twenty-one cents for motor fuel
37 other than ethanol blended gasoline.

38 (7) If the distribution percentage is greater than
39 seventy-five percent but not greater than eighty
40 percent, the rate shall be nineteen and three-tenths
41 cents for ethanol blended gasoline and twenty and
42 eight-tenths cents for motor fuel other than ethanol
43 blended gasoline.

44 (8) If the distribution percentage is greater than
45 eighty percent but not greater than eighty-five
46 percent, the rate shall be nineteen and five-tenths
47 cents for ethanol blended gasoline and twenty and
48 seven-tenths cents for motor fuel other than ethanol
49 blended gasoline.

50 (9) If the distribution percentage is greater than

S-3493

S-3493

Page 6

1 eighty-five percent but not greater than ninety
2 percent, the rate shall be nineteen and seven-tenths
3 cents for ethanol blended gasoline and twenty and
4 four-tenths cents for motor fuel other than ethanol
5 blended gasoline.

6 (10) If the distribution percentage is greater
7 than ninety percent but not greater than ninety-five
8 percent, the rate shall be nineteen and nine-tenths
9 cents for ethanol blended gasoline and twenty and one-
10 tenth cents for motor fuel other than ethanol blended
11 gasoline.

12 (11) If the distribution percentage is greater
13 than ninety-five percent, the rate shall be twenty
14 cents for ethanol blended gasoline and twenty cents
15 for motor fuel other than ethanol blended gasoline.

16 1A. Except as otherwise provided in this section
17 and in this division, after June 30, 2007, an excise
18 tax of twenty cents is imposed on each gallon of motor
19 fuel used for any purpose for the privilege of
20 operating motor vehicles in this state.

21 Sec. 5. Section 452A.3, subsection 2, paragraph b,
22 Code 2001, is amended by striking the paragraph.

23 Sec. 6. APPLICABILITY.

24 1. Notwithstanding section 452A.3, as amended in
25 this Act, the excise tax imposed upon motor vehicle
26 fuel, including ethanol blended gasoline, as provided
27 in that section shall be the same as provided in that
28 section on June 30, 2001, until July 1, 2002. The
29 excise tax for the period beginning July 1, 2002, and
30 ending June 30, 2003, and for each subsequent period,
31 shall be based on a determination made by the
32 department of revenue and finance as provided in
33 section 452A.3, subsection 1.

34 2. The ethanol blended gasoline tax credits
35 provided in sections 422.11C and 422.33 apply to tax
36 years beginning on or after January 1, 2002. The
37 department of revenue and finance shall perform
38 functions, prior to the beginning of that tax year,
39 necessary in order to implement the tax credits."

40 2. Title page, by striking lines 1 through 3, and
41 inserting the following: "An Act providing for taxes
42 relating to ethanol blended gasoline, making penalties
43 applicable, and providing for the Act's
44 applicability."

By SANDRA GREINER

S-3493 FILED APRIL 25, 2001

adopted
4/26/01 4/26/01

**SENATE FILE 518
FISCAL NOTE**

A fiscal note for **Senate File 518** 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 518 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 motor fuel (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.

-2-

4. The total gallons of ethanol, ethanol market share, and station sales percentages will be as follows (CY 1999 and CY 2000 are actuals, the remainder are estimates):

Calendar Year	Estimated Ethanol Gallons Sold	Ethanol Market Share	Percent of Statewide sales at 60% Stations	Sales Percent at 60% Stations
CY 1999	667,921,000	43.2%	N/A	N/A
CY 2000	778,510,000	50.4%	N/A	N/A
CY 2001	825,000,000	52.4%	N/A	N/A
CY 2002	880,000,000	55.0%	40.0%	66.0%
CY 2003	938,080,000	57.5%	47.5%	71.7%
CY 2004	992,489,000	59.8%	54.1%	76.6%
CY 2005	1,046,083,000	61.9%	60.3%	80.9%
CY 2006	1,095,249,000	63.7%	65.7%	84.5%
CY 2007	1,141,249,000	65.2%	70.7%	87.7%

5. Without the Bill, the percentage of ethanol sold in Iowa will be 55.0% in CY 2002 and will grow to 56.9% by CY 2007.

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 as follows:

- FY 2003 - \$0.5 million
- FY 2004 - \$1.3 million
- FY 2005 - \$2.2 million
- FY 2006 - \$3.3 million
- FY 2007 - \$4.4 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 Road Use Tax Fund. It is projected that the increased gasoline tax will more than offset the decrease in revenues due to the increased ethanol market share. The projected increase is \$400,000 to \$1.6 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

PAGE 3 , FISCAL NOTE, SENATE FILE 518

-3-

federal Transportation Reauthorization Act sunsets on October 1, 2003, and a new Reauthorization Act could have substantially different provisions.

SOURCES

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

(LSB 2151SZ, JWR)

FILED APRIL 23, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR