

MAR 10 2006
WAYS AND MEANS

HOUSE FILE 2735
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 587)

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

A BILL FOR

1 An Act relating to the formulation of motor fuel, by providing
2 for renewable fuel including ethanol blended fuel and
3 biodiesel blended fuel, providing incentives for
4 infrastructure used to store and dispense renewable fuel,
5 providing for income tax credits and excise taxes, providing
6 for penalties, and providing effective and applicability
7 dates, including retroactive applicability.

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

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HF 2735

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DIVISION I

ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of this state that by January 1, 2025, ethanol and biodiesel will replace twenty-five percent of all petroleum used in the formulation of motor fuel.

Sec. 2. Section 214A.1, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 0A. "Advertise" means to present a commercial message in any medium, including but not limited to print, radio, television, sign, display, label, tag, or articulation.

NEW SUBSECTION. 1A. "Biodiesel" means a renewable fuel comprised of mono-alkyl esters of long-chain fatty acids derived from vegetable oils or animal fats, which meets the standards provided in section 214A.2.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means a blend of biodiesel with petroleum-based diesel fuel which meets the standards, including separately the standard for its biodiesel constituent, provided in section 214A.2.

NEW SUBSECTION. 1C. "Committee" means the renewable fuels and coproducts advisory committee established pursuant to section 159A.4.

NEW SUBSECTION. 1D. "Dealer" means a wholesale dealer or retail dealer.

NEW SUBSECTION. 1E. "Diesel fuel" means any liquid, other than gasoline, which is suitable for use as a fuel in a diesel-powered highway vehicle or a diesel-powered train. Diesel fuel includes a liquid product prepared, advertised, offered for sale, or sold for use as, or commonly and commercially used as, motor fuel for use in an internal combustion engine and ignited by pressure without the presence of an electric spark. Diesel fuel must meet the standards provided in section 214A.2.

NEW SUBSECTION. 1F. "E-85 gasoline" means ethanol blended

1 gasoline formulated with a minimum percentage of between
2 seventy and eighty-five percent by volume of ethanol, if the
3 formulation meets the standards provided in section 214A.2.

4 NEW SUBSECTION. 1G. "Ethanol" means ethyl alcohol that is
5 to be blended with gasoline if it meets the standards provided
6 in section 214A.2.

7 NEW SUBSECTION. 1H. "Ethanol blended gasoline" means a
8 formulation of gasoline which is a liquid petroleum product
9 blended with ethanol, if the formulation meets the standards
10 provided in section 214A.2.

11 NEW SUBSECTION. 1I. "Gasoline" means any liquid product
12 prepared, advertised, offered for sale or sold for use as, or
13 commonly and commercially used as, motor fuel for use in a
14 spark-ignition, internal combustion engine, and which meets
15 the specifications provided in section 214A.2.

16 NEW SUBSECTION. 2A. "Motor fuel pump" means the same as
17 defined in section 214.1.

18 NEW SUBSECTION. 5A. "Renewable fuel" means a combustible
19 liquid derived from grain starch, oilseed, animal fat, or
20 other biomass; or produced from a biogas source, including any
21 nonfossilized decaying organic matter which is capable of
22 powering machinery, including but not limited to an engine or
23 power plant. Renewable fuel includes but is not limited to
24 ethanol blended gasoline, biodiesel, or biodiesel blended fuel
25 meeting the standards provided in section 214A.2.

26 NEW SUBSECTION. 5B. "Renewable fuel producer" means a
27 person engaged in the production of any of the following:

28 a. Ethanol for use as a distillate in ethanol blended
29 gasoline.

30 b. Biodiesel for use as a motor fuel or as a distillate in
31 biodiesel blended fuel.

32 Sec. 3. Section 214A.1, subsection 2, Code 2005, is
33 amended to read as follows:

34 2. "Motor ~~vehicle~~ fuel" means a substance or combination
35 of substances which is intended to be or is capable of being

1 used for the purpose ~~of propelling or running by combustion~~
2 any of operating an internal combustion engine, including but
3 not limited to a motor vehicle, and is kept for sale or sold
4 for that purpose. ~~The products commonly known as kerosene and~~
5 ~~distillate or petroleum products of lower gravity (Baume~~
6 ~~scale), when not used to propel a motor vehicle or for~~
7 ~~compounding or combining with a motor vehicle fuel, are exempt~~
8 ~~from this chapter except as provided in section 214A.2A.~~

9 Sec. 4. Section 214A.1, subsections 6 and 8, Code 2005,
10 are amended by striking the subsections and inserting in lieu
11 thereof the following:

12 6. "Retail dealer" means a person engaged in the business
13 of storing and dispensing motor fuel from a motor fuel pump
14 for sale on a retail basis.

15 8. "Wholesale dealer" means a person, other than a retail
16 dealer, who operates a place of business where motor fuel is
17 stored and dispensed for sale in this state, including a
18 permanent or mobile location.

19 Sec. 5. Section 214A.2, subsection 1, Code 2005, is
20 amended to read as follows:

21 1. The secretary department shall adopt rules pursuant to
22 chapter 17A for carrying out this chapter. The rules may
23 include, but are not limited to, specifications relating to
24 motor fuel ~~or oxygenate-octane enhancers, including but not~~
25 limited to renewable fuel such as ethanol blended gasoline,
26 biodiesel, biodiesel blended fuel, and motor fuel components
27 such as an oxygenate. In the interest of uniformity, the
28 secretary department shall adopt by reference ~~or otherwise~~
29 other specifications relating to tests and standards for motor
30 fuel ~~or oxygenate-octane enhancers including renewable fuel~~
31 and motor fuel components, established by the United States
32 environmental protection agency or A.S.T.M. (American society
33 for testing and materials) international, ~~unless the secretary~~
34 ~~determines those specifications are inconsistent with this~~
35 ~~chapter or are not appropriate to the conditions which exist~~

1 ~~in-this-state.~~ In adopting standards for a renewable fuel,
2 the department shall consult with the committee.

3 Sec. 6. Section 214A.2, Code 2005, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 2A. a. For motor fuel advertised for
6 sale or sold as gasoline by a dealer, the motor fuel must meet
7 registration requirements for that type of motor fuel and its
8 additives established by the United States environmental
9 protection agency including as provided under 42 U.S.C. §
10 7545.

11 b. If the motor fuel is advertised for sale or sold as
12 ethanol blended gasoline, the motor fuel must comply with
13 departmental standards which shall comply with specifications
14 for ethanol blended gasoline adopted by A.S.T.M.
15 international. For ethanol blended gasoline all of the
16 following shall apply:

17 (1) Ethanol must be agriculturally derived, having at
18 least one hundred ninety proof, be denatured as required by
19 federal law including 27 C.F.R., pts. 20 and 21, and conform
20 to A.S.T.M. international specification D 4806-95b.

21 (2) For ethanol blended gasoline other than E-85 gasoline,
22 at least ten percent of the gasoline by volume must be
23 ethanol.

24 (3) For E-85 gasoline all of the following must apply:

25 (a) From the first day of April until the last day of
26 October, at least eighty-five percent of the gasoline by
27 volume must be ethanol.

28 (b) From the first day of November until the last day of
29 March, at least seventy percent of the gasoline by volume must
30 be ethanol.

31 (4) In calculating the percentage of ethanol required for
32 the formulation of ethanol blended gasoline, a percentage of a
33 denaturant or contaminants permitted in the ethanol blended
34 gasoline may be excluded as provided by rules adopted by the
35 department.

1 Sec. 7. Section 214A.2, subsection 3, Code 2005, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 3. a. For motor fuel advertised for sale or sold as
5 biodiesel or biodiesel blended fuel by a dealer, the motor
6 fuel must meet registration requirements for that type of
7 motor fuel and its additives established by the United States
8 environmental protection agency including as provided under 42
9 U.S.C. § 7545.

10 b. The motor fuel must comply with departmental standards
11 which shall comply with specifications adopted by A.S.T.M.
12 international for biodiesel or biodiesel blended fuel.

13 (1) Biodiesel must conform to A.S.T.M. international
14 specification D 6751.

15 (2) At least one percent of biodiesel blended fuel by
16 volume must be biodiesel.

17 (3) The biodiesel may be blended with diesel fuel whose
18 sulfur, aromatic, lubricity, and cetane levels are outside
19 A.S.T.M. international specification D 975 Grades 1-D, 2-D,
20 and low sulfur 1-D and 2-D, provided that the finished
21 biodiesel blended fuel meets its applicable A.S.T.M.
22 international specifications for these properties.

23 Sec. 8. Section 214A.2A, Code 2005, is amended to read as
24 follows:

25 214A.2A KEROSENE LABELING.

26 1. Fuel which is sold or is kept, offered, or exposed for
27 sale as kerosene shall be labeled as kerosene. The label
28 shall include the word "kerosene" and a designation as either
29 "K1" or "K2", and shall indicate that the kerosene is in
30 compliance with the standard specification adopted by the
31 A.S.T.M. in international specification D-3699 (1982).

32 2. A product commonly known as kerosene and a distillate
33 or a petroleum product of lower gravity (Baume scale), when
34 not used to propel a motor vehicle or for compounding or
35 combining with a motor fuel, are exempt from this chapter

1 except as provided in this section.

2 Sec. 9. Section 214A.3, Code 2005, is amended by striking
3 the section and inserting in lieu thereof the following:

4 214A.3 ADVERTISING.

5 1. For all motor fuel, a person shall not knowingly do any
6 of the following:

7 a. Advertise the sale of any motor fuel which does not
8 meet the standards provided in section 214A.2.

9 b. Falsely advertise the quality or kind of any motor fuel
10 or a component of motor fuel.

11 c. Add a coloring matter to the motor fuel which misleads
12 a person who is purchasing the motor fuel about the quality of
13 the motor fuel.

14 2. For a renewable fuel, all of the following applies:

15 a. A person shall not knowingly falsely advertise that a
16 motor fuel is a renewable fuel or is not a renewable fuel.

17 b. (1) Ethanol blended gasoline sold by a dealer shall be
18 designated E-xx where "xx" is the volume percent of ethanol in
19 the ethanol blended gasoline. A person shall not knowingly
20 falsely advertise ethanol blended gasoline by using an
21 inaccurate designation in violation of this subparagraph.

22 (2) Biodiesel blended fuel shall be designated B-xx where
23 "xx" is the volume percent of biodiesel in the biodiesel
24 blended fuel. A person shall not knowingly falsely advertise
25 biodiesel blended fuel by using an inaccurate designation in
26 violation of this subparagraph.

27 Sec. 10. Section 214A.8, Code 2005, is amended to read as
28 follows:

29 214A.8 PROHIBITION.

30 A ~~retail-or-wholesale dealer defined-in-this-chapter~~ shall
31 not knowingly sell any motor ~~vehiele~~ fuel or an oxygenate
32 ~~octane-enhancer~~ in the state that fails to meet applicable
33 ~~standards and-specifications-set-out-in-this-chapter~~ as
34 provided in section 214A.2.

35 Sec. 11. Section 214A.11, Code 2005, is amended to read as

1 follows:

2 214A.11 ~~VIOLATIONS~~ PENALTY.

3 Any A person ~~violating the provisions~~ who knowingly
4 violates a provision of this chapter shall ~~be~~ is guilty of a
5 ~~simple~~ serious misdemeanor.

6 DIVISION II

7 RENEWABLE FUEL INFRASTRUCTURE

8 Sec. 12. Section 323A.1, Code 2005, is amended by adding
9 the following new subsections:

10 NEW SUBSECTION. 0A. "E-85 gasoline" means the same as
11 defined in section 214A.1.

12 NEW SUBSECTION. 0B. "Ethanol blended gasoline" means the
13 same as defined in section 214A.1.

14 Sec. 13. Section 323A.1, subsection 4, Code 2005, is
15 amended to read as follows:

16 4. "Motor fuel" means ~~gasoline or diesel fuel~~ the same as
17 motor fuel as defined in section 214A.1, which is of a type
18 distributed for use as a fuel in self-propelled vehicles
19 designed primarily for use on public streets, roads, and
20 highways.

21 Sec. 14. Section 323A.2, subsection 1, paragraph a, Code
22 2005, is amended to read as follows:

23 a. At least forty-eight hours prior to entering into an
24 agreement to purchase motor fuel from another source, the
25 franchisee has requested delivery of motor fuel from the
26 franchisor and the requested motor fuel has not been delivered
27 and the franchisor has given the franchisee notice that the
28 franchisor is unable to provide the requested motor fuel, or
29 prior to entering into an agreement the franchisor has stated
30 to the franchisee that the requested motor fuel will not be
31 delivered. The request to the franchisor for delivery shall
32 be for a type of fuel normally provided by the franchisor to
33 the franchisee and for a quantity of fuel not exceeding the
34 average amount sold by the franchisee in one week, based upon
35 average weekly sales in the three months preceding the

1 request, except that this provision shall not restrict a
2 franchisee from purchasing ethanol blended gasoline from a
3 source other than the franchisor or limit the quantity to be
4 purchased when the franchisor does not normally supply the
5 franchisee with ethanol blended gasoline. A franchisee may
6 also purchase E-85 gasoline as provided in section 323A.2A.

7 Sec. 15. NEW SECTION. 323A.2A PURCHASE OF E-85 GASOLINE
8 FROM OTHER SOURCE.

9 1. a. When on and after the effective date of this
10 section of this Act, a franchise is entered into or renewed,
11 the franchisor shall provide for the delivery of volumes of E-
12 85 gasoline at times demanded by the franchisee or shall allow
13 the franchisee to purchase those volumes of E-85 gasoline at
14 those times from another source.

15 b. If a franchise is in effect on the effective date of
16 this section of this Act and does not have an expiration date,
17 the franchisor shall provide for the delivery of volumes of E-
18 85 gasoline at times demanded by the franchisee or shall allow
19 the franchisee to purchase those volumes of E-85 gasoline at
20 those times from another source.

21 2. If the franchisee sells E-85 gasoline delivered from a
22 source other than the franchisor, the franchisee shall
23 prominently post a sign disclosing this fact to the public on
24 each motor fuel pump used for dispensing the E-85 gasoline.
25 The size of the sign shall not be less than eight inches by
26 ten inches and the letters on the sign shall be at least three
27 inches in height.

28 3. A franchisee who sells E-85 gasoline delivered from a
29 source other than the franchisor shall also fully indemnify
30 the franchisor against any claims asserted by a user on which
31 the claimant prevails and in which the court determines that
32 E-85 gasoline not acquired from the franchisor was the
33 proximate cause of the injury.

34 4. a. A purchase of E-85 gasoline in accordance with this
35 section is not good cause for the termination of a franchise.

1 b. A term of a franchise that is inconsistent with this
2 section is void and unenforceable.

3 Sec. 16. Section 455G.2, Code Supplement 2005, is amended
4 by adding the following new subsections:

5 NEW SUBSECTION. 3A. "Biodiesel" and "biodiesel blended
6 fuel" mean the same as defined in section 214A.1.

7 NEW SUBSECTION. 8A. "Department" means the department of
8 natural resources created in section 455A.2.

9 NEW SUBSECTION. 10A. "E-85 gasoline", "gasoline", "motor
10 fuel", "motor fuel pump", "retail dealer", and "service
11 station" mean the same as defined in section 214A.1.

12 NEW SUBSECTION. 13A. "Infrastructure board" means the
13 renewable fuel infrastructure board as created in section
14 455G.33.

15 NEW SUBSECTION. 13B. "Infrastructure fund" means the
16 renewable fuel infrastructure fund as created in section
17 455G.32.

18 NEW SUBSECTION. 15A. "Motor fuel storage and dispensing
19 infrastructure" or "infrastructure" means a tank and motor
20 fuel pumps necessary to keep and dispense motor fuel at a
21 service station, including but not limited to all associated
22 equipment, dispensers, pumps, pipes, hoses, tubes, lines,
23 fittings, valves, filters, seals, and covers.

24 NEW SUBSECTION. 21A. "Terminal" means a storage and
25 distribution facility for motor fuel or a blend stock such as
26 ethanol or biodiesel that is supplied to a motor vehicle,
27 pipeline, or a marine vessel and from which the motor fuel or
28 blend stock may be removed at a rack. "Terminal" does not
29 include any of the following:

30 a. A service station.

31 b. A facility at which motor fuel or special fuel, or
32 blend stocks are used in the manufacture of products other
33 than motor fuel and from which no motor fuel or special fuel
34 is removed.

35 NEW SUBSECTION. 21B. "Terminal operator" means a person

1 who has responsibility for, or physical control over, the
2 operation of a terminal, including by ownership, contractual
3 agreement, or appointment.

4 SUBCHAPTER III

5 RENEWABLE FUEL INFRASTRUCTURE

6 Sec. 17. NEW SECTION. 455G.31 E-85 GASOLINE STORAGE AND
7 DISPENSING INFRASTRUCTURE.

8 1. As used in this section, "gasoline storage and
9 dispensing infrastructure" means any storage tank located
10 below ground or above ground and any associated equipment
11 including but not limited to a pipe, hose, connection, fitting
12 seal, or pump, which is used to store, measure, and dispense
13 gasoline by a retail dealer as defined in section 214A.1.

14 2. A retail dealer may use gasoline storage and dispensing
15 infrastructure to store and dispense E-85 gasoline, if all of
16 the following apply:

17 a. For gasoline storage and dispensing infrastructure
18 other than the dispenser, the department must determine that
19 it is compatible with E-85 gasoline.

20 b. For a dispenser, the manufacturer must state all of the
21 following:

22 (1) That the equipment is, in the opinion of the
23 manufacturer, not incompatible with E-85 gasoline.

24 (2) The manufacturer has initiated the process of applying
25 to an independent testing laboratory for listing of the
26 equipment for use in dispensing E-85 gasoline.

27 A manufacturer's statement must include a written
28 statement, with reference to a particular type and model of
29 equipment, signed by a responsible official on behalf of the
30 manufacturer, provided either to the retail dealer using the
31 gasoline storage and dispensing infrastructure or to the
32 department of natural resources or the department of public
33 safety. If the written statement is provided to a retail
34 dealer, the statement shall be retained in the files on the
35 premises of the retail dealer and shall be available to

1 personnel of the department of natural resources or the
2 department of public safety upon request.

3 3. This section is repealed July 1, 2009.

4 Sec. 18. NEW SECTION. 455G.32 RENEWABLE FUEL
5 INFRASTRUCTURE FUND.

6 1. A renewable fuel infrastructure fund is created in the
7 state treasury under the control of the department. The fund
8 is separate from the general fund of the state.

9 2. Moneys in the renewable fuel infrastructure fund are
10 appropriated to the department exclusively to support the
11 renewable fuel infrastructure programs as provided in sections
12 455G.34 and 455G.35. Moneys in the fund shall be allocated
13 equitably between supporting infrastructure relating to the
14 storage and dispensing of E-85 gasoline and supporting
15 infrastructure relating to the storage and dispensing of
16 biodiesel or biodiesel blended fuel.

17 a. Of the unobligated and unencumbered balance in the fund
18 on July 1 of a fiscal year and moneys appropriated to the fund
19 for that fiscal year, not more than one percent of that amount
20 shall be used to pay any administrative expenses necessary to
21 administer the program.

22 b. Moneys in the fund shall not be transferred, used,
23 obligated, appropriated, or otherwise encumbered except as
24 necessary to administer the program.

25 3. a. Payments of interest, repayments of moneys loaned,
26 and the recaptures of moneys awarded pursuant to the program
27 shall be deposited in the renewable fuel infrastructure fund.

28 b. Notwithstanding section 8.33, any unexpended balance in
29 the fund at the end of the fiscal year shall be retained in
30 the fund.

31 c. Notwithstanding section 12C.7, subsection 2, interest,
32 earnings on investments, or time deposits of the moneys in the
33 fund shall be credited to the fund.

34 Sec. 19. NEW SECTION. 455G.33 RENEWABLE FUEL
35 INFRASTRUCTURE BOARD.

1 A renewable fuel infrastructure board is established within
2 the department.

3 1. The department shall provide the infrastructure board
4 with necessary facilities, items, and clerical support. The
5 department shall perform administrative functions necessary
6 for the management of the infrastructure board, the renewable
7 fuel infrastructure fund created in section 455G.32, and the
8 renewable fuel infrastructure programs as provided in sections
9 455G.34 and 455G.35, all under the direction of the
10 infrastructure board.

11 2. The infrastructure board shall be composed of nine
12 members who shall be appointed by the governor as follows:

13 a. One person representing insurers who is knowledgeable
14 about issues relating to underground storage tanks.

15 b. Eight persons based on nominations made by the titular
16 heads of all of the following:

17 (1) The agribusiness association of Iowa.

18 (2) The Iowa corn growers association.

19 (3) The Iowa farm bureau federation.

20 (4) The Iowa motor truck association.

21 (5) The Iowa soybean association.

22 (6) The petroleum marketers and convenience stores of
23 Iowa.

24 (7) The Iowa petroleum equipment contractors association.

25 (8) The Iowa renewable fuels association.

26 3. Appointments of voting members to the infrastructure
27 board are subject to the requirements of sections 69.16 and
28 69.16A. In addition, the appointments shall be geographically
29 balanced. The governor's appointees shall be confirmed by the
30 senate, pursuant to section 2.32.

31 4. The members of the infrastructure board shall serve
32 five-year terms beginning and ending as provided in section
33 69.19. However, the governor shall appoint initial members to
34 serve for less than five years to ensure members serve
35 staggered terms. A member is eligible for reappointment. A

1 vacancy on the board shall be filled for the unexpired portion
2 of the regular term in the same manner as regular appointments
3 are made.

4 5. The infrastructure board shall elect a chairperson from
5 among its members each year on a rotating basis as provided by
6 the infrastructure board. The infrastructure board shall meet
7 on a regular basis and at the call of the chairperson or upon
8 the written request to the chairperson of five or more
9 members.

10 6. Members of the infrastructure board are not entitled to
11 receive compensation but shall receive reimbursement of
12 expenses from the department as provided in section 7E.6.

13 7. Five members of the infrastructure board constitute a
14 quorum and the affirmative vote of a majority of the members
15 present is necessary for any substantive action to be taken by
16 the infrastructure board. The majority shall not include any
17 member who has a conflict of interest and a statement by a
18 member that the member has a conflict of interest is
19 conclusive for this purpose. A vacancy in the membership does
20 not impair the duties of the infrastructure board.

21 Sec. 20. NEW SECTION. 455G.34 RENEWABLE FUEL
22 INFRASTRUCTURE PROGRAM FOR SERVICE STATIONS.

23 A renewable fuel infrastructure program is established in
24 the department under the direction of the renewable fuel
25 infrastructure board created pursuant to section 455G.33.

26 1. The purpose of the program is to improve a service
27 station by installing, replacing, or converting motor fuel
28 storage and dispensing infrastructure. The infrastructure
29 must be designed and shall be used exclusively to store and
30 dispense E-85 gasoline, biodiesel, or biodiesel blended fuel
31 on the premises of service stations operated by retail
32 dealers.

33 2. The department shall award financial incentives to a
34 person participating in the program as directed by the
35 infrastructure board. The infrastructure board shall approve

1 the cost-share agreements executed by the department and
2 persons that the infrastructure board determines are eligible
3 as provided in this section, according to terms and conditions
4 required by the infrastructure board. The infrastructure
5 board shall determine the amount of the financial incentives
6 to be awarded to a person participating in the program. In
7 order to be eligible to participate in the program all of the
8 following must apply:

9 a. The person must be an owner or operator of the service
10 station.

11 b. The person must apply to the department in a manner and
12 according to procedures required by the infrastructure board.
13 The application must contain all information required by the
14 infrastructure board and shall at least include all of the
15 following:

16 (1) The name of the person and the address of the service
17 station to be improved.

18 (2) A detailed description of the infrastructure to be
19 installed, replaced, or converted, including but not limited
20 to the model number of each installed, replaced, or converted
21 motor fuel storage tank if available.

22 (3) A statement describing how the service station is to
23 be improved, the total estimated cost of the planned
24 improvement, and the date when the infrastructure will be
25 first used to store and dispense the renewable fuel.

26 (4) A statement certifying that the infrastructure shall
27 not be used to store or dispense motor fuel other than E-85
28 gasoline, biodiesel, or biodiesel blended fuel, unless granted
29 a waiver by the infrastructure board pursuant to this section.

30 3. A service station which is improved using financial
31 incentives must comply with federal and state standards
32 governing new or upgraded motor fuel storage tanks used to
33 store and dispense the renewable fuel. A site classified as a
34 no further action site pursuant to a certificate issued by the
35 department under section 455B.474 shall retain its

1 classification following modifications necessary to store and
2 dispense the renewable fuel and the owner or operator shall
3 not be required to perform a new site assessment unless the
4 site causes a clear, present, and impending danger to the
5 public health or the environment.

6 4. a. For the period beginning July 1, 2006, and ending
7 June 30, 2009, the department upon direction of the
8 infrastructure board shall distribute financial incentives to
9 improve service stations located within each of the six
10 geographic regions described in section 173.4A.

11 b. The infrastructure board shall not approve a cost-
12 share agreement which awards financial incentives to install,
13 replace, or convert infrastructure associated with more than
14 one motor fuel storage tank or motor fuel pump located at the
15 same service station.

16 5. An award of financial incentives to a participating
17 person shall be in the form of an interest-free loan.

18 a. In order to participate in the program an eligible
19 person must execute a cost-share agreement with the department
20 as approved by the infrastructure board in which the person
21 contributes a percentage of the total costs related to
22 improving the service station. The financial incentives
23 awarded to the participating person shall not exceed thirty
24 percent of the estimated cost of making the improvements or
25 thirty percent of the actual cost of making the improvements,
26 whichever is less.

27 b. The infrastructure board shall not approve an award of
28 more than thirty thousand dollars to improve a service
29 station. The infrastructure board may approve multiple awards
30 to make improvements to a service station so long as the total
31 amount of the awards in all years is not more than thirty
32 thousand dollars.

33 c. A participating person shall not use the infrastructure
34 to store or dispense motor fuel other than E-85 gasoline,
35 biodiesel, or biodiesel blended fuel unless one of the

1 following applies:

2 (1) The participating person is granted a waiver by the
3 infrastructure board. The participating person shall store or
4 dispense the motor fuel according to the terms and conditions
5 of the waiver.

6 (2) The infrastructure fund is immediately repaid the
7 total amount of moneys awarded to the participating person
8 together with a monetary penalty equal to twenty-five percent
9 of that awarded amount.

10 d. A participating person who acts in violation of an
11 agreement executed with the department pursuant to this
12 section is subject to a civil penalty of not more than one
13 thousand dollars a day for each day of the violation. The
14 civil penalty shall be deposited into the general fund of the
15 state.

16 Sec. 21. NEW SECTION. 455G.35 RENEWABLE FUEL
17 INFRASTRUCTURE PROGRAM FOR BIODIESEL TERMINAL FACILITIES.

18 The department, under the direction of the renewable fuel
19 infrastructure board created in section 455G.33, and in
20 cooperation with the Iowa comprehensive petroleum underground
21 storage tank fund board, shall establish and administer a
22 renewable fuel infrastructure program for terminal facilities
23 that store and dispense biodiesel or biodiesel blended fuel.
24 The infrastructure must be designed and shall be used
25 exclusively to store and distribute biodiesel or biodiesel
26 blended fuel. The department as directed by the
27 infrastructure board shall provide a cost-share program for
28 financial incentives.

29 1. To all extent practicable, the program shall be
30 administered in consultation with the department of economic
31 development when that department administers its cost-share
32 program pursuant to section 15.401.

33 2. The department of natural resources shall award
34 financial incentives to a terminal operator participating in
35 the program as directed by the infrastructure board. In order

1 to be eligible to participate in the program, the terminal
2 operator must apply to the department in a manner and
3 according to procedures required by the infrastructure board.
4 The application must contain information required by the
5 infrastructure board and shall at least include all of the
6 following:

7 a. The name of the terminal operator and the address of
8 the terminal to be improved.

9 b. A detailed description of the infrastructure to be
10 installed, replaced, or converted.

11 c. A statement describing how the terminal is to be
12 improved, the total estimated cost of the planned improvement,
13 and the date when the infrastructure will be first used to
14 store and distribute biodiesel or biodiesel blended fuel.

15 d. A statement certifying that the infrastructure shall
16 not be used to store or dispense motor fuel other than
17 biodiesel or biodiesel blended fuel, unless granted a waiver
18 by the infrastructure board pursuant to this section.

19 3. The department's award of financial incentives to a
20 participating terminal operator shall be in the form of an
21 interest-free loan. In order to participate in the program,
22 an eligible terminal operator must execute a cost-share
23 agreement with the department in which the terminal operator
24 contributes a percentage of the total costs related to
25 improving the terminal. The financial incentives awarded to
26 the participating terminal operator shall not exceed the
27 estimated cost of making the improvements or the actual cost
28 of making the improvements, whichever is less.

29 4. A participating terminal operator shall not use the
30 infrastructure to store or dispense motor fuel other than
31 biodiesel or biodiesel blended fuel, unless one of the
32 following applies:

33 a. The participating terminal operator is granted a waiver
34 by the infrastructure board. The participating terminal
35 operator shall store or dispense the motor fuel according to

1 the terms and conditions of the waiver.

2 b. The infrastructure fund is immediately repaid the total
3 amount of moneys awarded to the participating terminal
4 operator together with a monetary penalty equal to twenty-five
5 percent of that awarded amount.

6 c. A participating terminal operator who acts in violation
7 of an agreement executed with the department pursuant to this
8 section is subject to a civil penalty of not more than one
9 thousand dollars a day for each day of the violation. The
10 civil penalty shall be deposited into the general fund of the
11 state.

12 Sec. 22. EFFECTIVE DATE.

13 1. The sections of this Act amending sections 323A.1 and
14 323A.2, being deemed of immediate importance, take effect upon
15 enactment.

16 2. Section 323A.2A, as enacted in this Act, being deemed
17 of immediate importance, takes effect upon enactment.

18 DIVISION III

19 RENEWABLE FUEL INCOME TAX CREDIT PROVISIONS

20 Sec. 23. Section 422.11C, subsection 1, paragraphs a
21 through g, Code 2005, are amended by striking the paragraphs
22 and inserting in lieu thereof the following:

23 a. "E-85 gasoline", "ethanol blended gasoline",
24 "gasoline", and "retail dealer" mean the same as defined in
25 section 214A.1.

26 b. "Motor fuel pump" means the same as motor vehicle fuel
27 pump as defined in section 214.1.

28 c. "Sell" means to sell on a retail basis.

29 d. "Service station" means each geographic location in
30 this state where a retail dealer sells and dispenses motor
31 fuel on a retail basis.

32 e. "Tax credit" means the designated ethanol blended
33 gasoline tax credit as provided in this section.

34 Sec. 24. Section 422.11C, subsection 2, paragraph b, Code
35 2005, is amended to read as follows:

1 b. The taxpayer operates at least one service station at
2 which more than sixty percent of the total gallons of gasoline
3 sold and dispensed through one or more metered motor fuel
4 pumps by the taxpayer in the tax year is ethanol blended
5 gasoline.

6 Sec. 25. Section 422.11C, subsection 3, Code 2005, is
7 amended to read as follows:

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

17 3A. A taxpayer is not eligible to claim a designated
18 ethanol blended gasoline tax credit as provided in this
19 section, if the taxpayer claims any of the following:

20 a. An ethanol promotion tax credit as provided in section
21 422.11N or 422.33.

22 b. An E-85 gasoline promotion tax credit as provided in
23 section 422.11O or 422.33 for the same gallons of ethanol
24 blended gasoline.

25 Sec. 26. Section 422.11C, Code 2005, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 6. This section is repealed on January 1,
28 2007.

29 Sec. 27. NEW SECTION. 422.11N ETHANOL PROMOTION TAX
30 CREDIT.

31 1. As used in this section, unless the context otherwise
32 requires:

33 a. "E-85 gasoline", "ethanol", "gasoline", "motor fuel
34 pump", and "retail dealer" mean the same as defined in section
35 214A.1.

1 b. "Sell" means to sell on a retail basis.

2 c. "Tax credit" means the ethanol promotion tax credit as
3 provided in this section.

4 2. The taxes imposed under this division, less the credits
5 allowed under sections 422.12 and 422.12B, shall be reduced by
6 an ethanol promotion tax credit for each tax year that the
7 taxpayer is eligible to claim the tax credit under this
8 section. In order to be eligible, all of the following must
9 apply:

10 a. The taxpayer is a retail dealer who sells and dispenses
11 E-85 gasoline through a motor fuel pump in the tax year in
12 which the tax credit is claimed.

13 b. The retail dealer complies with requirements of the
14 department to administer this section.

15 3. In order to receive the tax credit, the retail dealer
16 must calculate all of the following:

17 a. The retail dealer's total gasoline gallonage as
18 provided in section 452A.31.

19 b. The retail dealer's total ethanol gallonage as provided
20 in section 452A.31. The retail dealer may calculate the
21 ethanol gallonage based on the schedule provided in section
22 452A.32.

23 4. The tax credit is calculated by multiplying five cents
24 by the retail dealer's total ethanol gallonage as provided in
25 section 452A.31 as follows:

26 a. For each calendar year beginning during the period
27 commencing January 1, 2006, and ending December 31, 2010, the
28 tax credit shall be five cents multiplied by the retail
29 dealer's total ethanol gallonage.

30 b. For each calendar year beginning during the period
31 commencing January 1, 2011, and ending December 31, 2025, the
32 tax credit shall be calculated as follows:

33 (1) Take the retail dealer's total ethanol gallonage which
34 is the minuend.

35 (2) Multiply the retail dealer's total gasoline gallonage

1 by a deductible percentage and round off the resulting product
2 to the nearest whole number to obtain the subtrahend. For
3 calendar year 2011, the deductible percentage is one percent.
4 For each subsequent calendar year, the deductible percentage
5 shall keep increasing by one percent.

6 (3) Subtract the subtrahend from the minuend to obtain the
7 retail dealer's resulting qualifying ethanol gallonage.

8 (4) Multiply the retail dealer's resulting qualifying
9 ethanol gallonage by five cents.

10 c. If a retail dealer's tax year ends prior to December 31
11 of a calendar year, the retail dealer may continue to claim
12 the tax credit in the retail dealer's following tax year. In
13 that case, the tax credit shall be five cents multiplied by
14 the retail dealer's total ethanol gallonage for the period
15 beginning on the first day of the retail dealer's new tax year
16 until December 31. For that period, the tax credit shall be
17 calculated in the same manner as a retail dealer whose tax
18 year began on the previous January 1 and who is calculating
19 the tax credit on that same December 31.

20 5. a. A retail dealer is eligible to claim an ethanol
21 promotion tax credit as provided in this section even though
22 the retail dealer claims an E-85 gasoline promotion tax credit
23 pursuant to section 422.110 for the same tax year and for the
24 same ethanol gallonage.

25 b. A retail dealer is not eligible to claim an ethanol
26 promotion tax credit as provided in this section if the retail
27 dealer claims a designated ethanol blended gasoline tax credit
28 as provided in section 422.11C.

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

34 7. An individual may claim the tax credit allowed a
35 partnership, limited liability company, S corporation, estate,

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

6 8. This section is repealed on January 1, 2026.

7 Sec. 28. NEW SECTION. 422.110 E-85 GASOLINE PROMOTION
8 TAX CREDIT.

9 1. As used in this section, unless the context otherwise
10 requires:

11 a. "E-85 gasoline", "ethanol", "gasoline", "motor fuel
12 pump", and "retail dealer" mean the same as defined in section
13 214A.1.

14 b. "Sell" means to sell on a retail basis.

15 c. "Tax credit" means the E-85 gasoline promotion tax
16 credit as provided in this section.

17 2. The taxes imposed under this division, less the credits
18 allowed under sections 422.12 and 422.12B, shall be reduced by
19 an E-85 gasoline promotion tax credit for each tax year that
20 the taxpayer is eligible to claim under this subsection. In
21 order to be eligible, all of the following must apply:

22 a. The taxpayer is a retail dealer who sells and dispenses
23 E-85 gasoline through a motor fuel pump in the tax year in
24 which the tax credit is claimed.

25 b. The retail dealer complies with requirements of the
26 department to administer this section.

27 3. The amount of the tax credit for a retail dealer is
28 calculated by multiplying a designated rate by the retail
29 dealer's total E-85 gasoline gallonage as provided in sections
30 452A.31 and 452A.32. The designated rate is as follows:

31 a. For calendar year 2006 or calendar year 2007, twenty-
32 five cents.

33 b. For calendar year 2008 or calendar year 2009, twenty
34 cents.

35 c. For calendar year 2010, ten cents.

- 1 d. For calendar year 2011, nine cents.
2 e. For calendar year 2012, eight cents.
3 f. For calendar year 2013, seven cents.
4 g. For calendar year 2014, six cents.
5 h. For calendar year 2015, five cents.
6 i. For calendar year 2016, four cents.
7 j. For calendar year 2017, three cents.
8 k. For calendar year 2018, two cents.
9 l. For calendar year 2019, one cent.
- 10 4. If a retail dealer's tax year ends prior to December 31
11 of a calendar year, the retail dealer may continue to claim
12 the tax credit in the retail dealer's following tax year. In
13 that case, the tax credit shall be the designated rate
14 multiplied by the retail dealer's total E-85 gasoline
15 gallonage for the remaining period beginning on the first day
16 of the retail dealer's new tax year until the next December
17 31. For that remaining period, the tax credit shall be
18 calculated in the same manner as a retail dealer whose tax
19 year began on the previous January 1 and who is calculating
20 the tax credit on that same December 31.
- 21 5. a. A retail dealer is eligible to claim an E-85
22 gasoline promotion tax credit as provided in this section even
23 though the retail dealer claims an ethanol promotion tax
24 credit pursuant to section 422.11N for the same tax year for
25 the same ethanol gallonage.
- 26 b. A taxpayer is not eligible to claim an E-85 gasoline
27 tax credit as provided in this section, if the taxpayer claims
28 a designated ethanol blended gasoline tax credit as provided
29 in section 422.11C.
- 30 6. Any credit in excess of the taxpayer's tax liability
31 shall be refunded. In lieu of claiming a refund, the taxpayer
32 may elect to have the overpayment shown on the taxpayer's
33 final, completed return credited to the tax liability for the
34 following tax year.
- 35 7. An individual may claim the tax credit allowed a

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

7 8. This section is repealed on January 1, 2020.

8 Sec. 29. NEW SECTION. 422.11P BIODIESEL BLENDED FUEL TAX
9 CREDIT.

10 1. As used in this section, unless the context otherwise
11 requires:

12 a. "Biodiesel blended fuel", "diesel fuel", and "retail
13 dealer" mean the same as defined in section 214A.1.

14 b. "Motor fuel pump" means the same as defined in section
15 214.1.

16 c. "Sell" means to sell on a retail basis.

17 d. "Tax credit" means a biodiesel blended fuel tax credit
18 as provided in this section.

19 2. The taxes imposed under this division, less the credits
20 allowed under sections 422.12 and 422.12B, shall be reduced by
21 the amount of the biodiesel blended fuel tax credit for each
22 tax year that the taxpayer is eligible to claim a tax credit
23 under this subsection.

24 a. In order to be eligible, all of the following must
25 apply:

26 (1) The taxpayer is a retail dealer who sells and
27 dispenses biodiesel blended fuel through a motor fuel pump in
28 the tax year in which the tax credit is claimed.

29 (2) Of the total gallons of diesel fuel that the taxpayer
30 sells and dispenses through all motor fuel pumps during the
31 taxpayer's tax year, fifty percent or more is biodiesel
32 blended fuel which meets the requirements of this section.

33 (3) The taxpayer complies with requirements of the
34 department established to administer this section.

35 b. The tax credit shall apply to biodiesel blended fuel

1 formulated with a minimum percentage of two percent by volume
2 of biodiesel, if the formulation meets the standards provided
3 in section 214A.2.

4 3. The amount of the tax credit is three cents multiplied
5 by the total number of gallons of biodiesel blended fuel sold
6 and dispensed by the taxpayer through all motor fuel pumps
7 operated by the taxpayer during the taxpayer's tax year.

8 4. Any credit in excess of the taxpayer's tax liability
9 shall be refunded. In lieu of claiming a refund, the taxpayer
10 may elect to have the overpayment shown on the taxpayer's
11 final, completed return credited to the tax liability for the
12 following tax year.

13 5. An individual may claim the tax credit allowed a
14 partnership, limited liability company, S corporation, estate,
15 or trust electing to have the income taxed directly to the
16 individual. The amount claimed by the individual shall be
17 based upon the pro rata share of the individual's earnings of
18 the partnership, limited liability company, S corporation,
19 estate, or trust.

20 6. This section is repealed January 1, 2012.

21 Sec. 30. Section 422.33, subsection 11, paragraph a,
22 subparagraph (1), Code Supplement 2005, is amended to read as
23 follows:

24 (1) "~~Ethanol~~ "E-85 gasoline", "ethanol blended gasoline",
25 "gasoline", "~~metered-pump~~", "motor fuel pump", "retail
26 dealer", "sell", and "service station" mean the same as
27 defined in section 422.11C.

28 Sec. 31. Section 422.33, subsection 11, paragraph b,
29 subparagraph (2), Code Supplement 2005, is amended to read as
30 follows:

31 (2) The taxpayer operates at least one service station at
32 which more than sixty percent of the total gallons of gasoline
33 sold and dispensed through one or more metered motor fuel
34 pumps by the taxpayer is ethanol blended gasoline.

35 Sec. 32. Section 422.33, subsection 11, paragraph c, Code

1 Supplement 2005, is amended to read as follows:

2 c. (1) The tax credit shall be calculated separately for
3 each service station site operated by the taxpayer.

4 (2) The amount of the tax credit for each eligible service
5 station is two and one-half cents multiplied by the total
6 number of gallons of ethanol blended gasoline sold and
7 dispensed through all metered motor fuel pumps located at that
8 service station during the tax year in excess of sixty percent
9 of all gasoline sold and dispensed through metered motor fuel
10 pumps at that service station during the tax year.

11 (3) A taxpayer is not eligible to claim a designated
12 ethanol blended gasoline tax credit as provided in this
13 subsection, if the taxpayer claims any of the following:

14 (a) An ethanol promotion tax credit as provided in section
15 422.11N or this section.

16 (b) An E-85 promotion tax credit as provided in section
17 422.11O or this section for the same gallons of ethanol
18 blended gasoline.

19 Sec. 33. Section 422.33, subsection 11, Code Supplement
20 2005, is amended by adding the following new paragraph:

21 NEW PARAGRAPH. e. This subsection is repealed on January
22 1, 2007.

23 Sec. 34. Section 422.33, Code Supplement 2005, is amended
24 by adding the following new subsections:

25 NEW SUBSECTION. 11A. The taxes imposed under this
26 division shall be reduced by an ethanol promotion tax credit
27 for each tax year that the taxpayer is eligible to claim the
28 tax credit under this subsection.

29 a. The taxpayer shall claim the tax credit in the same
30 manner as provided in section 422.11N. The taxpayer may claim
31 the tax credit according to the same requirements, for the
32 same amount, and calculated in the same manner, as provided
33 for the ethanol promotion tax credit pursuant to section
34 422.11N.

35 b. Any ethanol promotion tax credit which is in excess of

1 the taxpayer's tax liability shall be refunded or may be shown
2 on the taxpayer's final, completed return credited to the tax
3 liability for the following tax year in the same manner as
4 provided in section 422.11N.

5 c. This subsection is repealed on January 1, 2026.

6 NEW SUBSECTION. 11B. The taxes imposed under this
7 division shall be reduced by an E-85 gasoline promotion tax
8 credit for each tax year that the taxpayer is eligible to
9 claim the tax credit under this subsection.

10 a. The taxpayer shall claim the tax credit in the same
11 manner as provided in section 422.110. The taxpayer may claim
12 the tax credit according to the same requirements, for the
13 same amount, and calculated in the same manner, as provided
14 for the E-85 gasoline promotion tax credit pursuant to section
15 422.110.

16 b. Any E-85 gasoline promotion tax credit which is in
17 excess of the taxpayer's tax liability shall be refunded or
18 may be shown on the taxpayer's final, completed return
19 credited to the tax liability for the following tax year in
20 the same manner as provided in section 422.110.

21 c. This subsection is repealed on January 1, 2020.

22 Sec. 35. Section 422.33, Code Supplement 2005, is amended
23 by adding the following new subsection:

24 NEW SUBSECTION. 11C. The taxes imposed under this
25 division shall be reduced by a biodiesel blended fuel tax
26 credit for each tax year that the taxpayer is eligible to
27 claim the tax credit under this subsection.

28 a. The taxpayer may claim the biodiesel blended fuel tax
29 credit according to the same requirements, for the same
30 amount, and calculated in the same manner, as provided for the
31 biodiesel blended fuel tax credit pursuant to section 422.11P.

32 b. Any biodiesel blended fuel tax credit which is in
33 excess of the taxpayer's tax liability shall be refunded or
34 may be shown on the taxpayer's final, completed return
35 credited to the tax liability for the following tax year in

1 the same manner as provided in section 422.11P.

2 c. This subsection is repealed on January 1, 2012.

3 Sec. 36. RETROACTIVE APPLICABILITY DATE. Sections
4 422.11N, 422.11O, and 422.11P, as enacted in this Act, and
5 section 422.33, subsections 11A, 11B, and 11C, as enacted in
6 this Act, apply retroactively to tax years beginning on or
7 after January 1, 2006.

8 Sec. 37. TAX CREDIT AVAILABILITY.

9 1. For a retail dealer who may claim a designated ethanol
10 blended gasoline tax credit under section 422.11C or 422.33,
11 subsection 11, as amended by this Act, in calendar year 2006
12 and whose tax year ends prior to December 31, 2006, the
13 taxpayer may continue to claim the tax credit in the retail
14 dealer's following tax year. In that case, the tax credit
15 shall be calculated in the same manner as provided in section
16 422.11C or 422.33, subsection 11, as amended by this Act, for
17 the remaining period beginning on the first day of the retail
18 dealer's new tax year until December 31, 2006. For that
19 remaining period, the tax credit shall be calculated in the
20 same manner as a retail dealer whose tax year began on the
21 previous January 1 and who is calculating the tax credit on
22 December 31, 2006.

23 2. For a retail dealer who may claim an ethanol promotion
24 tax credit under section 422.11N or 422.33, subsection 11A, as
25 enacted in this Act, in calendar year 2025 and whose tax year
26 ends prior to December 31, 2025, the taxpayer may continue to
27 claim the tax credit in the retail dealer's following tax
28 year. In that case, the tax credit shall be calculated in the
29 same manner as provided in section 422.11N or 422.33,
30 subsection 11A, as enacted in this Act, for the remaining
31 period beginning on the first day of the retail dealer's new
32 tax year until December 31, 2025. For that remaining period,
33 the tax credit shall be calculated in the same manner as a
34 retail dealer whose tax year began on the previous January 1
35 and who is calculating the tax credit on December 31, 2025.

1 in section 214A.1.

2 NEW SUBSECTION. 19A. "Motor fuel pump" means the same as
3 defined in section 214.1.

4 NEW SUBSECTION. 20A. "Nonethanol blended gasoline" means
5 gasoline other than ethanol blended gasoline.

6 NEW SUBSECTION. 24A. "Retail dealer" means the same as
7 defined in section 214A.1.

8 Sec. 39. Section 452A.2, subsection 11, Code Supplement
9 2005, is amended to read as follows:

10 11. "~~Ethanol blended gasoline~~" means ~~motor-fuel-containing~~
11 ~~at-least-ten-percent-alcohol-distilled-from-cereal-grains~~ the
12 same as defined in section 214A.1.

13 Sec. 40. Section 452A.2, subsection 19, unnumbered
14 paragraph 1, Code Supplement 2005, is amended to read as
15 follows:

16 "Motor fuel" means both motor fuel as defined in section
17 214A.1 and includes all of the following:

18 Sec. 41. Section 452A.3, subsection 1A, Code 2005, is
19 amended by striking the subsection and inserting in lieu
20 thereof the following:

21 1A. Except as otherwise provided in this section and in
22 this division, after June 30, 2007, this subsection shall
23 apply to the excise tax imposed on each gallon of gasoline
24 used for any purpose for the privilege of operating motor
25 vehicles in this state. The amount of the excise tax is the
26 applicable rate multiplied by each gallon of ethanol blended
27 gasoline and nonethanol blended gasoline.

28 a. The applicable rate is the base rate of twenty cents
29 for ethanol blended gasoline and nonethanol blended gasoline.

30 b. By March 1, following each key determination period as
31 provided in section 452A.31, the department shall determine
32 whether the ethanol percentage threshold has been met as
33 provided in section 452A.34.

34 (1) If the ethanol threshold percentage has been met, the
35 applicable rate of the excise tax is the base rate as provided

1 in paragraph "a".

2 (2) If the ethanol threshold percentage has not been met,
3 the applicable rate of the excise tax is a special rate.

4 (a) The special rate is calculated as follows:

5 (i) Multiply the ethanol threshold disparity factor for
6 that key determination period as provided in section 452A.34
7 by two cents to obtain the resulting product.

8 (ii) Add the resulting product to the base rate as if the
9 ethanol percentage threshold had been met as provided in
10 paragraph "a" to obtain the resulting sum which is the special
11 rate.

12 (b) The special rate shall be effective as follows:

13 (i) If the ethanol threshold percentage has not been met
14 during the first key determination period, the special rate is
15 effective beginning on July 1, 2010, and ending on June 30,
16 2015.

17 (ii) If the ethanol threshold percentage has not been met
18 during the second key determination period, the special rate
19 is effective beginning on July 1, 2015, and ending on June 30,
20 2020.

21 (iii) If the ethanol threshold percentage has not been met
22 during the third key determination period, the special rate is
23 effective beginning on July 1, 2020, and ending on June 30,
24 2025.

25 (iv) If the ethanol threshold percentage has not been met
26 during the fourth key determination period, the special rate
27 is effective on and after July 1, 2025.

28 Sec. 42. NEW SECTION. 452A.31 SPECIAL TERMS.

29 For purposes of this division, all of the following shall
30 apply:

31 1. a. A determination period is any twelve-month period
32 beginning on January 1 and ending on December 31.

33 b. A key determination period and key determination date
34 are as follows:

35 (1) For the first key determination period, the period

1 beginning January 1 and ending December 31, 2009, and for the
2 first key determination date, March 1, 2010.

3 (2) For the second key determination period, the period
4 beginning January 1 and ending December 31, 2014, and for the
5 second key determination date, March 1, 2015.

6 (3) For the third key determination period, the period
7 beginning January 1 and ending December 31, 2019, and for the
8 third key determination date, March 1, 2020.

9 (4) For the fourth key determination period, the period
10 beginning January 1 and ending December 31, 2024, and for the
11 fourth key determination date, March 1, 2025.

12 2. a. A retail dealer's total gasoline gallonage is the
13 total number of gallons of gasoline, which the retail dealer
14 sells and dispenses from all motor fuel pumps located at all
15 service stations operated by the retail dealer in this state
16 during a twelve-month period beginning January 1 and ending
17 December 31. The retail dealer's total gasoline gallonage is
18 divided into the following classifications:

19 (1) The total ethanol blended gasoline gallonage which is
20 the retail dealer's total number of gallons of ethanol blended
21 gasoline and which includes all of the following
22 subclassifications:

23 (a) The total E-xx gasoline gallonage which is the total
24 number of gallons of ethanol blended gasoline other than E-85
25 gasoline.

26 (b) The total E-85 gasoline gallonage which is the total
27 number of gallons of E-85 gasoline.

28 (2) The total nonblended gasoline gallonage which is the
29 total number of gallons of nonblended ethanol gasoline.

30 b. A retail dealer's total ethanol gallonage is the total
31 number of gallons of ethanol which is a component of ethanol
32 blended gasoline which the retail dealer sells and dispenses
33 from motor fuel pumps as provided in paragraph "a" during a
34 twelve-month period beginning January 1 and ending December
35 31.

1 3. a. The aggregate gasoline gallonage is the total
2 number of gallons of gasoline, which all retail dealers sell
3 and dispense from all motor fuel pumps located at all service
4 stations operated by the retail dealers in this state during a
5 twelve-month period beginning January 1 and ending December
6 31. The aggregate total gasoline gallonage is divided into
7 the following classifications:

8 (1) The aggregate ethanol blended gasoline gallonage which
9 is the aggregate total number of gallons of ethanol blended
10 gasoline and which includes all of the following
11 subclassifications:

12 (a) The aggregate E-xx gasoline gallonage which is the
13 aggregate total number of gallons of ethanol blended gasoline
14 other than E-85 gasoline.

15 (b) The aggregate E-85 gasoline gallonage which is the
16 aggregate total number of gallons of E-85 gasoline.

17 (2) The aggregate total nonblended gasoline gallonage,
18 which is the aggregate total number of gallons of nonblended
19 ethanol gasoline.

20 b. The aggregate ethanol gallonage is the total number of
21 gallons of ethanol which is a component of ethanol blended
22 gasoline which all retail dealers sell and dispense from motor
23 fuel pumps as provided in paragraph "a" during a twelve-month
24 period beginning January 1 and ending December 31.

25 4. a. The aggregate ethanol distribution percentage is
26 the aggregate ethanol gallonage as expressed as a percentage
27 of the aggregate gasoline gallonage calculated for a twelve-
28 month period beginning January 1 and ending December 31.

29 b. The aggregate per gallon distribution percentage which
30 is the aggregate ethanol blended gasoline gallonage expressed
31 as a percentage of the aggregate gasoline gallonage.

32 5. a. The ethanol threshold percentage is the aggregate
33 ethanol distribution percentage required to be met during a
34 key determination period as provided in section 452A.34.

35 b. The ethanol threshold percentage disparity is a

1 positive percentage difference obtained by taking the minuend
2 which is the aggregate ethanol distribution percentage and
3 subtracting from it the subtrahend which is the ethanol
4 threshold percentage, as calculated for a key determination
5 period as provided in section 452A.34.

6 c. The ethanol threshold disparity factor is the ethanol
7 threshold percentage disparity expressed as a positive number
8 rounded to the nearest tenth of a whole number.

9 Sec. 43. NEW SECTION. 452A.32 SCHEDULE FOR AVERAGING
10 ETHANOL CONTENT IN E-85 GASOLINE.

11 The department shall establish a schedule listing the
12 average amount of ethanol contained in E-85 gasoline as
13 defined in section 214A.1, for use by a retail dealer in
14 calculating the retail dealer's total ethanol gallonage, as
15 provided in section 452A.31. In establishing the schedule,
16 the department shall assume that a retail dealer begins
17 selling and dispensing E-85 gasoline from a motor fuel pump on
18 the first day of a month and ceases selling and distributing
19 E-85 gasoline on the last day of a month.

20 Sec. 44. NEW SECTION. 452A.33 REPORTING REQUIREMENTS.

21 1. Each retail dealer shall report its total gasoline
22 gallonage and its total ethanol gallonage for a determination
23 period, including for each classification and
24 subclassification as provided in section 452A.31 in a manner
25 and according to procedures required by the department. The
26 department may require that retail dealers report to the
27 department on an annual, quarterly, or monthly basis.

28 2. On or before February 1 the department shall deliver a
29 report to the governor and the legislative services agency.
30 The report shall compile information reported by retail
31 dealers to the department as provided in this section and
32 shall at least include all of the following:

33 a. The aggregate gasoline gallonage for the previous
34 determination period, including for all classifications and
35 subclassifications as provided in section 452A.31.

1 b. The aggregate ethanol distribution percentage for the
2 previous determination period.

3 c. The projected aggregate gasoline gallonage, the
4 aggregate ethanol gallonage, and the projected aggregate
5 ethanol distribution percentage, for each future key
6 determination period as provided in section 452A.34.

7 d. The ethanol threshold percentage required for the next
8 key determination period as provided in section 452A.34 and
9 any projected ethanol threshold percentage disparity,
10 including the amount of additional ethanol required to be sold
11 and dispensed from all motor fuel pumps located at all service
12 stations in this state in order to meet the next ethanol
13 threshold percentage.

14 Sec. 45. NEW SECTION. 452A.34 ETHANOL THRESHOLD
15 PERCENTAGES.

16 1. The department shall determine whether an ethanol
17 threshold percentage has been met on the following key
18 determination dates:

19 a. On March 1, 2010, the department must determine that
20 the aggregate distribution percentage was at least ten percent
21 in order to meet the first ethanol threshold percentage for
22 the key determination period beginning on January 1, 2009, and
23 ending December 31, 2009.

24 b. On March 1, 2015, the department must determine that
25 the aggregate distribution percentage was at least fifteen
26 percent in order to meet the second ethanol threshold
27 percentage for the key determination period beginning on
28 January 1, 2014, and ending December 31, 2014.

29 c. On March 1, 2020, the department must determine that
30 the aggregate distribution percentage was at least twenty
31 percent in order to meet the third ethanol threshold
32 percentage for the key determination period beginning on
33 January 1, 2019, and ending December 31, 2019.

34 d. On March 1, 2025, the department must determine that
35 the aggregate distribution percentage was at least twenty-five

1 percent in order to meet the fourth ethanol threshold
2 percentage for the key determination period beginning on
3 January 1, 2024, and ending December 31, 2024.

4 2. If on a key determination date, an ethanol threshold
5 percentage has not been met, the department shall calculate
6 the ethanol threshold percentage disparity and the resulting
7 ethanol threshold disparity factor as provided in section
8 452A.31 which shall be used to determine the special rate of
9 the excise tax imposed on each gallon of nonethanol blended
10 gasoline as provided in section 452A.3.

11 DIVISION IV

12 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

13 Sec. 46. Section 8A.362, subsection 3, Code 2005, is
14 amended to read as follows:

15 3. a. The director shall provide for a record system for
16 the keeping of records of the total number of miles state-
17 owned motor vehicles are driven and the per-mile cost of
18 operation of each motor vehicle. Every state officer or
19 employee shall keep a record book to be furnished by the
20 director in which the officer or employee shall enter all
21 purchases of gasoline, lubricating oil, grease, and other
22 incidental expense in the operation of the motor vehicle
23 assigned to the officer or employee, giving the quantity and
24 price of each purchase, including the cost and nature of all
25 repairs on the motor vehicle. Each operator of a state-owned
26 motor vehicle shall promptly prepare a report at the end of
27 each month on forms furnished by the director and forwarded to
28 the director, giving the information the director may request
29 in the report. Each month the director shall compile the
30 costs and mileage of state-owned motor vehicles from the
31 reports and keep a cost history for each motor vehicle and the
32 costs shall be reduced to a cost-per-mile basis for each motor
33 vehicle. The director shall call to the attention of an
34 elected official or the head of any state agency to which a
35 motor vehicle has been assigned any evidence of the

1 mishandling or misuse of a state-owned motor vehicle which is
2 called to the director's attention.

3 b. A motor vehicle operated under this subsection shall
4 not operate on gasoline other than ethanol blended gasoline
5 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
6 section 214A.1, unless under emergency circumstances. A
7 state-issued credit card used to purchase gasoline shall not
8 be valid to purchase gasoline other than ethanol blended
9 gasoline ~~blended-with-at-least-ten-percent-ethanol~~, if
10 commercially available. The motor vehicle shall also be
11 affixed with a brightly visible sticker which notifies the
12 traveling public that the motor vehicle is being operated on
13 ethanol blended gasoline ~~blended-with-ethanol~~. However, the
14 sticker is not required to be affixed to an unmarked vehicle
15 used for purposes of providing law enforcement or security.

16 Sec. 47. Section 8A.362, subsection 5, paragraph a,
17 subparagraphs (1) and (2), Code 2005, are amended to read as
18 follows:

19 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
20 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as defined
21 in section 214A.1.

22 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
23 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section
24 214A.1. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume~~
25 ~~must-be-processed-soybean-oil.~~

26 Sec. 48. Section 216B.3, subsection 16, paragraph a, Code
27 2005, is amended to read as follows:

28 a. A motor vehicle purchased by the commission shall not
29 operate on gasoline other than ethanol blended gasoline
30 ~~blended-with-at-least-ten-percent-ethanol~~. A state issued
31 credit card used to purchase gasoline shall not be valid to
32 purchase gasoline other than ethanol blended gasoline ~~blended~~
33 ~~with-at-least-ten-percent-ethanol~~. The motor vehicle shall
34 also be affixed with a brightly visible sticker which notifies
35 the traveling public that the motor vehicle is being operated

1 on ethanol blended gasoline blended-with-ethanol. However,
2 the sticker is not required to be affixed to an unmarked
3 vehicle used for purposes of providing law enforcement or
4 security.

5 Sec. 49. Section 216B.3, subsection 16, paragraph b,
6 subparagraph (1), subparagraph subdivisions (a) and (b), Code
7 2005, are amended to read as follows:

8 (a) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
9 ~~gasoline and-at-least-eighty-five-percent-ethanol as defined~~
10 ~~in section 214A.1.~~

11 (b) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
12 ~~diesel-fuel-and-processed-soybean-oil as defined in section~~
13 ~~214A.1. At-least-twenty-percent-of-the-mixed-fuel-by-volume~~
14 ~~must-be-processed-soybean-oil.~~

15 Sec. 50. Section 260C.19A, subsection 1, Code 2005, is
16 amended to read as follows:

17 1. A motor vehicle purchased by or used under the
18 direction of the board of directors to provide services to a
19 merged area shall not operate on gasoline other than ethanol
20 blended gasoline blended-with-at-least-ten-percent-ethanol as
21 defined in section 214A.1. The motor vehicle shall also be
22 affixed with a brightly visible sticker which notifies the
23 traveling public that the motor vehicle is being operated on
24 ethanol blended gasoline blended-with-ethanol. However, the
25 sticker is not required to be affixed to an unmarked vehicle
26 used for purposes of providing law enforcement or security.

27 Sec. 51. Section 260C.19A, subsection 2, paragraph a,
28 subparagraphs (1) and (2), Code 2005, are amended to read as
29 follows:

30 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
31 ~~gasoline and-at-least-eighty-five-percent-ethanol as defined~~
32 ~~in section 214A.1.~~

33 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
34 ~~diesel-fuel-and-processed-soybean-oil as defined in section~~
35 ~~214A.1. At-least-twenty-percent-of-the-mixed-fuel-by-volume~~

1 ~~must-be-processed-soybean-oil-~~

2 Sec. 52. Section 262.25A, subsection 2, Code 2005, is
3 amended to read as follows:

4 2. A motor vehicle purchased by the institutions shall not
5 operate on gasoline other than gasoline blended with at least
6 ten percent ethanol. A state-issued credit card used to
7 purchase gasoline shall not be valid to purchase gasoline
8 other than ethanol blended gasoline blended-with-at-least-ten
9 ~~percent-ethanol~~ as defined in section 214A.1. The motor
10 vehicle shall also be affixed with a brightly visible sticker
11 which notifies the traveling public that the motor vehicle is
12 being operated on ethanol blended gasoline blended-with
13 ~~ethanol~~. However, the sticker is not required to be affixed
14 to an unmarked vehicle used for purposes of providing law
15 enforcement or security.

16 Sec. 53. Section 262.25A, subsection 3, paragraph a,
17 subparagraphs (1) and (2), Code 2005, are amended to read as
18 follows:

19 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
20 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as defined
21 in section 214A.1.

22 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
23 ~~processed-soybean-oil-and-diesel-fuel~~ as defined in section
24 214A.1. At-least-twenty-percent-of-the-fuel-by-volume-must-be
25 ~~processed-soybean-oil-~~

26 Sec. 54. Section 279.34, Code 2005, is amended to read as
27 follows:

28 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
29 ~~BBENDED~~ ETHANOL BLENDED GASOLINE.

30 A motor vehicle purchased by or used under the direction of
31 the board of directors to provide services to a school
32 corporation shall not, on or after January 1, 1993, operate on
33 gasoline other than ethanol blended gasoline blended-with-at
34 ~~least-ten-percent-ethanol~~. The motor vehicle shall also be
35 affixed with a brightly visible sticker which notifies the

1 traveling public that the motor vehicle is being operated on
 2 ethanol blended gasoline ~~blended-with-ethanol~~. However, the
 3 sticker is not required to be affixed to an unmarked vehicle
 4 used for purposes of providing law enforcement or security.

5 Sec. 55. Section 307.21, subsection 4, paragraph d, Code
 6 2005, is amended to read as follows:

7 d. A motor vehicle purchased by the administrator shall
 8 not operate on gasoline other than ethanol blended gasoline
 9 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
 10 section 214A.1. A state-issued credit card used to purchase
 11 gasoline shall not be valid to purchase gasoline other than
 12 ethanol blended gasoline ~~blended-with-at-least-ten-percent~~
 13 ~~ethanol~~. The motor vehicle shall also be affixed with a
 14 brightly visible sticker which notifies the traveling public
 15 that the motor vehicle is being operated on ethanol blended
 16 gasoline ~~blended-with-ethanol~~. However, the sticker is not
 17 required to be affixed to an unmarked vehicle used for
 18 purposes of providing law enforcement or security.

19 Sec. 56. Section 307.21, subsection 5, paragraph a,
 20 subparagraphs (1) and (2), Code 2005, are amended to read as
 21 follows:

22 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
 23 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as defined
 24 in section 214A.1.

25 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
 26 ~~processed-soybean-oil-and-diesel-fuel~~ as defined in section
 27 214A.1. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~
 28 ~~processed-soybean-oil~~.

29 Sec. 57. Section 331.908, Code 2005, is amended to read as
 30 follows:

31 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-
 32 BLENDED ETHANOL BLENDED GASOLINE.

33 A motor vehicle purchased or used by a county to provide
 34 county services shall not ~~7-on-or-after-January-17-19937~~
 35 operate on gasoline other than ethanol blended gasoline

1 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
2 section 214A.1. The motor vehicle shall also be affixed with
3 a brightly visible sticker which notifies the traveling public
4 that the motor vehicle is being operated on ethanol blended
5 gasoline ~~blended-with-ethanol~~. However, the sticker is not
6 required to be affixed to an unmarked vehicle used for
7 purposes of providing law enforcement or security.

8 Sec. 58. Section 364.20, Code 2005, is amended to read as
9 follows:

10 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
11 BLENDED ETHANOL BLENDED GASOLINE.

12 A motor vehicle purchased or used by a city to provide city
13 services shall not ~~on or after January 17, 1993~~, operate on
14 gasoline other than ethanol blended gasoline ~~blended-with-at~~
15 ~~least-ten-percent-ethanol~~ as defined in section 214A.1. The
16 motor vehicle shall also be affixed with a brightly visible
17 sticker which notifies the traveling public that the motor
18 vehicle is being operated on ethanol blended gasoline ~~blended~~
19 ~~with-ethanol~~. However, the sticker is not required to be
20 affixed to an unmarked vehicle used for purposes of providing
21 law enforcement or security.

22 Sec. 59. Section 904.312A, subsection 1, Code 2005, is
23 amended to read as follows:

24 1. A motor vehicle purchased by the department shall not
25 operate on gasoline other than ethanol blended gasoline
26 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
27 section 214A.1. A state-issued credit card used to purchase
28 gasoline shall not be valid to purchase gasoline other than
29 ethanol blended gasoline ~~blended-with-at-least-ten-percent~~
30 ~~ethanol~~. The motor vehicle shall also be affixed with a
31 brightly visible sticker which notifies the traveling public
32 that the motor vehicle is being operated on ethanol blended
33 gasoline ~~blended-with-ethanol~~. However, the sticker is not
34 required to be affixed to an unmarked vehicle used for
35 purposes of providing law enforcement or security.

1 Sec. 60. Section 904.312A, subsection 2, paragraph a,
2 subparagraphs (1) and (2), Code 2005, are amended to read as
3 follows:

4 (1) ~~A fuel blended with not more than fifteen percent E-85~~
5 ~~gasoline and at least eighty-five percent ethanol as defined~~
6 ~~in section 214A.1.~~

7 (2) ~~A B-20 biodiesel blended fuel which is a mixture of~~
8 ~~diesel fuel and processed soybean oil as defined in section~~
9 ~~214A.1. At least twenty percent of the mixed fuel by volume~~
10 ~~must be processed soybean oil.~~

11 DIVISION V

12 COORDINATING PROVISIONS -- MISCELLANEOUS

13 Sec. 61. Section 15.401, Code Supplement 2005, is amended
14 to read as follows:

15 15.401 ~~E-85-BLENDED-GASOLINE~~ RENEWABLE FUELS.

16 1. As used in this section, unless the context otherwise
17 requires, "biodiesel", "biodiesel blended fuel", "E-85
18 gasoline" and "service station" mean the same as defined in
19 section 214A.1.

20 2. The department shall provide a cost-share program for
21 financial incentives for the installation or conversion of
22 infrastructure used by service stations to do all of the
23 following:

24 a. ~~sell~~ Sell and dispense E-85 blended gasoline and ~~for~~
25 ~~the installation or conversion of.~~

26 b. Install or convert infrastructure required to establish
27 on-site and off-site terminal facilities that store biodiesel
28 or biodiesel blended fuel for distribution to service
29 stations.

30 3. The department shall provide for an addition of at
31 least thirty new or converted E-85 gasoline retail outlets and
32 four new or converted on-site or off-site terminal facilities
33 with a maximum expenditure of three hundred twenty-five
34 thousand dollars per year for the fiscal period beginning July
35 1, 2005, and ending June 30, 2008. The department may provide

1 for the marketing of these products in conjunction with this
2 infrastructure program.

3 Sec. 62. Section 159A.2, Code 2005, is amended by adding
4 the following new subsections:

5 NEW SUBSECTION. 0A. "Biodiesel" and "biodiesel blended
6 fuel" mean the same as defined in section 214A.1.

7 NEW SUBSECTION. 3A. "Department" means the department of
8 agriculture and land stewardship.

9 NEW SUBSECTION. 3B. "Ethanol blended gasoline" means the
10 same as defined in section 214A.1.

11 Sec. 63. Section 159A.2, subsection 6, Code 2005, is
12 amended by striking the subsection and inserting in lieu
13 thereof the following:

14 6. "Renewable fuel" means the same as defined in section
15 214A.1.

16 Sec. 64. Section 159A.2, subsection 8, Code 2005, is
17 amended by striking the subsection.

18 Sec. 65. Section 159A.3, subsection 3, Code 2005, is
19 amended to read as follows:

20 3. a. A chief purpose of the office is to further the
21 production and consumption of ethanol ~~fuel~~ blended gasoline in
22 this state. The office shall be the primary state agency
23 charged with the responsibility to promote public consumption
24 of ethanol ~~fuel~~ blended gasoline.

25 b. The office shall promote the production and consumption
26 of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this
27 state.

28 Sec. 66. Section 214A.19, subsection 1, unnumbered
29 paragraph 1, Code 2005, is amended to read as follows:

30 The department of natural resources, conditioned upon the
31 availability of funds, is authorized to award demonstration
32 grants to persons who purchase vehicles which operate on
33 alternative fuels, including but not limited to, ~~high-blend~~
34 ~~ethanol~~ E-85 gasoline, biodiesel, compressed natural gas,
35 electricity, solar energy, or hydrogen. A grant shall be for

1 the purpose of conducting research connected with the fuel or
2 the vehicle, and not for the purchase of the vehicle itself,
3 except that the money may be used for the purchase of the
4 vehicle if all of the following conditions are satisfied:

5 Sec. 67. Section 307.20, Code 2005, is amended to read as
6 follows:

7 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING
8 FUND.

9 1. A biodiesel and biodiesel blended fuel revolving fund
10 is created in the state treasury. The biodiesel and biodiesel
11 blended fuel revolving fund shall be administered by the
12 department and shall consist of moneys received from the sale
13 of EPAct credits banked by the department on April 19, 2001,
14 moneys appropriated by the general assembly, and any other
15 moneys obtained or accepted by the department for deposit in
16 the fund. Moneys in the fund are appropriated to and shall be
17 used by the department for the purchase of biodiesel and
18 biodiesel blended fuel for use in department vehicles. The
19 department shall submit an annual report not later than
20 January 31 to the members of the general assembly and the
21 legislative services agency, of the expenditures made from the
22 fund during the preceding fiscal year. Section 8.33 does not
23 apply to any moneys in the fund and, notwithstanding section
24 12C.7, subsection 2, earnings or interest on moneys deposited
25 in the fund shall be credited to the fund.

26 2. A department departmental motor vehicle operating on
27 using biodiesel or biodiesel blended fuel shall be affixed
28 with a brightly visible sticker that notifies the traveling
29 public that the motor vehicle uses biodiesel blended fuel.

30 3. For purposes of this section the following definitions
31 apply:

32 a. "~~Biodiesel~~ "Biodiesel" and "biodiesel blended fuel"
33 ~~means-soydiesel-fuel~~ mean the same as defined in section
34 ~~159A-2~~ 214A.1.

35 b. "EPAct credit" means a credit issued pursuant to the

1 federal Energy Policy Act (EPAAct), 42 U.S.C. § 13201 et seq.

2 Sec. 68. Section 452A.2, subsection 2, Code Supplement
3 2005, is amended by striking the subsection and inserting in
4 lieu thereof the following:

5 2. "Biodiesel" and "biodiesel blended fuel" mean the same
6 as defined in section 214A.1.

7 Sec. 69. Section 452A.2, subsection 3, Code Supplement
8 2005, is amended to read as follows:

9 3. "Blender" means a person who owns and blends ~~alcohol~~
10 ethanol with gasoline to produce ethanol blended gasoline and
11 blends the product at a nonterminal location. The ~~blender~~
12 person is not restricted to blending ~~alcohol~~ ethanol with
13 gasoline. Products blended with gasoline other than ~~grain~~
14 ~~alcohol~~ ethanol are taxed as gasoline. "Blender" also means a
15 person blending two or more special fuel products at a
16 nonterminal location where the tax has not been paid on all of
17 the products blended. This blend is taxed as a special fuel.

18 Sec. 70. Section 452A.2, Code Supplement 2005, is amended
19 by adding the following new subsection:

20 NEW SUBSECTION. 9A. "E-85 gasoline" means the same as
21 defined in section 214A.1.

22 Sec. 71. Section 452A.2, subsection 11, Code Supplement
23 2005, is amended to read as follows:

24 11. "Ethanol blended gasoline" means ~~motor-fuel-containing~~
25 ~~at-least-ten-percent-alcohol-distilled-from-cereal-grains~~ the
26 same as defined in section 214A.1.

27 Sec. 72. Section 452A.2, subsection 19, unnumbered
28 paragraph 1, Code Supplement 2005, is amended to read as
29 follows:

30 "Motor fuel" means ~~both~~ motor fuel as defined in section
31 214A.1 and includes all of the following:

32 Sec. 73. Section 452A.2, subsection 21, Code Supplement
33 2005, is amended to read as follows:

34 21. "Nonterminal storage facility" means a facility where
35 motor fuel or special fuel, other than liquefied petroleum

1 gas, is stored that is not supplied by a pipeline or a marine
2 vessel. "Nonterminal storage facility" includes a facility
3 that manufactures products such as ~~alcohol~~ ethanol as defined
4 in section 214A.1, biofuel, blend stocks, or additives which
5 may be used as motor fuel or special fuel, other than
6 liquefied petroleum gas, for operating motor vehicles or
7 aircraft.

8 Sec. 74. Section 452A.3, subsection 1B, Code Supplement
9 2005, is amended to read as follows:

10 1B. An excise tax of seventeen cents is imposed on each
11 gallon of E-85 gasoline, ~~which contains at least eighty-five~~
12 ~~percent denatured alcohol by volume from the first day of~~
13 ~~April until the last day of October or seventy percent~~
14 ~~denatured alcohol from the first day of November until the~~
15 ~~last day of March, used for the privilege of operating motor~~
16 ~~vehicles in this state as defined in section 214A.1, subject~~
17 to the determination provided in subsection 1C.

18 Sec. 75. Section 452A.6, Code 2005, is amended to read as
19 follows:

20 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS --
21 BLENDER'S LICENSE.

22 1. a. A person other than a supplier, restrictive
23 supplier, or importer licensed under this division, who blends
24 gasoline with ~~alcohol distilled from cereal grains so that the~~
25 ~~blend contains at least ten percent alcohol distilled from~~
26 ~~cereal grains~~ ethanol as defined in section 214A.1 in order to
27 formulate ethanol blended gasoline, shall obtain a blender's
28 license.

29 b. A person who blends two or more special fuel products
30 or sells one hundred percent biofuel shall obtain a blender's
31 license.

32 2. The A blender's license shall be obtained by following
33 the procedure under section 452A.4 and the blender's license
34 is subject to the same restrictions as contained in that
35 section.

1 3. A blender required to obtain a license pursuant to this
2 section shall maintain records as required by section 452A.10
3 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline,
4 and special fuels.

5 DIVISION VI
6 CHANGE OF TERMS

7 Sec. 76. CHANGE OF TERMS.

8 1. Sections 8A.362, 101.21, 159A.4, 214.1, 214.11, 214A.1,
9 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10,
10 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.56, 423.14,
11 452A.63, 452A.66, and 452A.78, Code 2005, and section 321.40,
12 Code Supplement 2005, are amended by striking from the
13 provisions the words "motor vehicle fuel" and inserting the
14 following: "motor fuel".

15 2. Sections 214.1, 214.3, 214.9, 214.11, and 214A.16, Code
16 2005, are amended by striking the words "motor vehicle fuel
17 pump" or "motor vehicle fuel pumps" and inserting the
18 following: "motor fuel pump" or "motor fuel pumps".

19 3. Sections 159A.3 and 214A.17, Code 2005, are amended by
20 striking from the provisions the words "oxygenate octane
21 enhancers" and inserting the following: "oxygenates".

22 4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and
23 214A.10, Code 2005, are amended by striking from the
24 provisions the words "oxygenate octane enhancer" and inserting
25 the following: "oxygenate".

26 EXPLANATION

27 BACKGROUND. The general assembly has enacted a number of
28 Acts which have promoted the production and consumption of
29 ethanol blended gasoline.

30 In 1991, the general assembly enacted S.F. 545 (1991 Iowa
31 Acts, ch. 254), which requires that state and local government
32 vehicles operate using ethanol blended gasoline and provides
33 that a state-issued credit card can only be used to purchase
34 ethanol blended gasoline. The provisions state that ethanol
35 blended gasoline must contain at least 10 percent ethanol.

1 In 1994, the general assembly enacted H.F. 2337 (1994 Iowa
2 Acts, chapter 1119), which requires that of all new passenger
3 vehicles and light pickup trucks purchased by the department
4 of administrative services, other state agencies, and
5 community colleges, a minimum of 10 percent of those motor
6 vehicles must be equipped with engines which utilize
7 alternative fuels (referred to as alternative methods of
8 propulsion), including a flexible fuel (E-85 gasoline or
9 biodiesel blended gasoline). The alternative fuel
10 requirements do not apply to motor vehicles purchased and
11 directly used for law enforcement or purchased and used for
12 off-road maintenance work or to pull loaded trailers.

13 In 2001, the general assembly enacted H.F. 716 (2001 Iowa
14 Acts, ch. 123), which created a tax credit for retail dealers
15 of gasoline who sell ethanol blended gasoline (containing at
16 least 10 percent alcohol). The tax credit applies to both
17 taxpayers filing as individuals under Code section 422.11C and
18 businesses under Code section 422.33. Specifically, the Act
19 provided a tax credit for a retail dealer who operates at
20 least one service station at which more than 60 percent of the
21 total gallons of gasoline sold by the retail dealer is ethanol
22 blended gasoline.

23 The Act also amended provisions in Code section 452A.3 that
24 provide for an excise tax on each gallon of motor fuel sold in
25 the state. Under the Act, until June 30, 2007, the rates for
26 unblended and blended motor fuel are adjusted each year based
27 on the number of gallons of ethanol blended gasoline that are
28 distributed in this state as expressed as a percentage of the
29 total number of gallons of motor fuel distributed in this
30 state.

31 In 2005, the general assembly enacted H.F. 868 (2005 Iowa
32 Acts, ch. 150) imposing a special rate of 17 cents on each
33 gallon of E-85 gasoline (a blend containing a minimum of
34 between 75 and 85 percent alcohol depending on the season) if
35 certain conditions were met. The Act requires the department

1 of revenue to compare the amount of moneys actually collected
2 using the special 17 cents rate with the amount of moneys that
3 would have been collected if the adjusted rate applied. If
4 the difference is equal to or greater than \$25,000, the tax
5 rate beginning the next year is at the adjusted rate.

6 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

7 GOAL. This division establishes a goal that by January 1,
8 2025, ethanol and biodiesel is to replace 25 percent of all
9 petroleum used in the formulation of motor fuel.

10 MOTOR FUEL STANDARDS. The division amends Code chapter
11 214A, which provides authority to the department of
12 agriculture and land stewardship to regulate motor fuel. It
13 provides for a number of definitions that apply to provisions
14 in Code chapter 214A and other Code chapters by reference.
15 The definitions include those for "biodiesel", "biodiesel
16 blended fuel", "dealer", "diesel fuel", "E-85 gasoline",
17 "ethanol", "ethanol blended gasoline", "gasoline", and
18 "renewable fuel". The division moves substantive language
19 referring to kerosene from the definitional section to a
20 section that specifically regulates kerosene.

21 The division authorizes the department to establish
22 standards for motor fuel. The division provides that the
23 department is required to adopt rules relating to renewable
24 fuel such as ethanol blended gasoline, biodiesel, and
25 biodiesel blended fuel and motor fuel components such as an
26 oxygenate. The division requires that ethanol blended
27 gasoline contain a blend of at least 10 percent ethanol. E-85
28 gasoline must contain a minimum seasonal blend of between 70
29 and 85 percent or more ethanol. Biodiesel fuel must contain
30 at least 1 percent biodiesel.

31 The department of agriculture and land stewardship must
32 adopt by reference other specifications relating to tests and
33 standards for renewable fuel and motor fuel components
34 established by the United States environmental protection
35 agency or A.S.T.M. (American society for testing and

1 materials) international. In adopting standards for a
2 renewable fuel, the department of agriculture and land
3 stewardship must consult with the renewable fuels and
4 coproducts advisory committee (See Code chapter 159A).

5 FALSE ADVERTISING. The division rewrites provisions which
6 regulate false advertising of motor fuel to prohibit a person
7 from knowingly advertising the sale of any motor fuel that
8 does not meet standards adopted by the department of
9 agriculture and land stewardship. The division prohibits a
10 person from knowingly falsely advertising that motor fuel is a
11 renewable fuel or is not a renewable fuel, or falsely
12 advertising that ethanol blended gasoline or biodiesel blended
13 fuel does or does not contain the appropriate percentage blend
14 (referred to as "E-xx" or "B-xx").

15 PENALTY. The division provides that the penalty for any
16 violation of the Code chapter is increased from a simple
17 misdemeanor to a serious misdemeanor. A simple misdemeanor is
18 punishable by confinement for no more than 30 days or a fine
19 of at least \$50 but not more than \$500, or by both. A serious
20 misdemeanor is punishable by confinement for no more than one
21 year and a fine of at least \$250 but not more than \$1,500.

22 DIVISION II -- RENEWABLE FUEL INFRASTRUCTURE. This
23 division establishes a renewable fuel infrastructure
24 initiative. It specifically provides for motor fuel storage
25 and dispensing infrastructure, which includes tanks and motor
26 fuel pumps necessary to keep and dispense motor fuel.

27 FRANCHISES. The division amends provisions included in
28 Code chapter 323A affecting franchises of motor fuel. A
29 franchise is a contract between persons who sell and who
30 purchase for resale motor fuel, including refiners,
31 distributors, and retailers. The division provides that when
32 a contract is entered into or renewed, it must provide for the
33 delivery of volumes of E-85 gasoline at times demanded by the
34 franchisee or it must allow the franchisee to purchase those
35 volumes of E-85 gasoline at those times from another source.

1 However, if the contract does not have an expiration date, and
2 the franchisor cannot provide for the delivery of E-85
3 gasoline, the franchisee may immediately obtain the E-85
4 gasoline from another source, without regard to the contract.
5 The division provides that if the franchisee obtains the E-85
6 gasoline from another source, the franchisee must provide
7 notice to the public of its source. The franchisee must fully
8 indemnify the franchisor against any claims for liability
9 arising out of the use of the E-85 gasoline which was
10 delivered by another source. These provisions are effective
11 upon enactment.

12 **INFRASTRUCTURE USED TO STORE AND DISPENSE E-85 GASOLINE.**
13 The division provides that a retail dealer may use gasoline
14 infrastructure to store and dispense E-85 gasoline, if the
15 department of natural resources determines that the
16 infrastructure is compatible with the E-85 gasoline. For a
17 dispenser, the division requires that a manufacturer state
18 that it is not incompatible with E-85 gasoline and that the
19 manufacturer has initiated the process of applying to an
20 independent testing laboratory for listing of the equipment
21 for use in dispensing the E-85 gasoline. These provisions are
22 repealed on July 1, 2009.

23 **RENEWABLE FUEL INFRASTRUCTURE PROGRAMS.** The division
24 establishes a renewable fuel infrastructure fund. The fund is
25 under the control of the department of natural resources to be
26 used for the two renewable fuel infrastructure programs. The
27 moneys are to be allocated equitably between supporting
28 infrastructure relating to the storage and dispensing of E-85
29 gasoline at service stations and biodiesel at terminals. One
30 percent of the funds may be used for departmental
31 administration. The fund and programs are controlled by a
32 renewable fuel infrastructure board which includes members
33 representing agricultural producers, petroleum marketers,
34 contractors, insurers, and the renewable fuels industry. The
35 purpose of the renewable fuel infrastructure program for

1 service stations is to provide cost-share financial assistance
2 to service stations installing, replacing, or converting motor
3 fuel storage and dispensing infrastructure designed and used
4 exclusively for E-85 gasoline, biodiesel, or biodiesel blended
5 fuel. The purpose of the renewable fuel infrastructure
6 program for biodiesel terminal facilities is to provide cost-
7 share financial assistance to support infrastructure designed
8 and used exclusively to store and distribute biodiesel or
9 biodiesel blended fuel.

10 DIVISION III -- RENEWABLE FUEL INCOME TAX CREDIT

11 PROVISIONS. This division provides tax credits under Code
12 chapter 422, which applies to taxpayers filing as individuals
13 or businesses.

14 DESIGNATED ETHANOL BLENDED GASOLINE TAX CREDIT. The
15 division amends designated ethanol tax credit provisions in
16 Code chapter 422 to provide that a retail dealer who sells E-
17 85 gasoline is eligible to receive a tax credit. The division
18 provides that a retail dealer cannot claim this tax credit if
19 the retail dealer claims an ethanol promotion tax credit as
20 provided in this division. The retail dealer also cannot
21 claim the tax credit on the same gallons of ethanol that is
22 claimed under an E-85 gasoline promotion tax credit as
23 provided in the division. This tax credit is repealed on
24 January 1, 2007.

25 ETHANOL PROMOTION TAX CREDIT. The division creates an
26 ethanol promotion tax credit for retail dealers. In order to
27 receive this tax credit, the retailer must calculate the total
28 gasoline gallonage and the total ethanol gallonage for a
29 determination period (calendar year). The tax credit is 5
30 cents multiplied by the gallon of ethanol sold. The total
31 gallons of ethanol eligible for the ethanol promotion tax
32 credit is reduced according to a formula based on a schedule
33 starting in 2011. After that, only eligible gallons of
34 ethanol are subject to the tax credit. This is determined by
35 multiplying the total gasoline sold by a deductible

1 percentage, and the resulting product is subtracted from the
2 total gallons of ethanol sold by the retail dealer. For the
3 year 2011, the deductible percentage is 1 percent. Each year
4 after that the deductible percentage increases until 2025,
5 when it is 15 percent. The division provides that the
6 retailer may claim this tax credit and the E-85 promotion tax
7 credit as provided in the division. This tax credit is
8 eliminated on January 1, 2026.

9 E-85 PROMOTION TAX CREDIT. The division establishes an E-
10 85 gasoline promotion tax credit. A retail dealer who sells
11 E-85 gasoline is eligible for the tax credit. The tax credit
12 begins at 25 cents per gallon of E-85 gasoline sold in
13 calendar years 2006 and 2007. After that the rate of the
14 amount of the tax credit decreases by year until 2019 when it
15 is 1 cent per gallon of E-85 gasoline. The tax credit is
16 repealed on January 1, 2020.

17 BIODIESEL BLENDED FUEL TAX CREDIT. The division
18 establishes a biodiesel blended fuel tax credit. In this
19 case, the biodiesel blended fuel must include at least 2
20 percent biodiesel, even though a 1 percent blend satisfies
21 standards adopted by the department of agriculture and land
22 stewardship under Code chapter 214A. A retail dealer who
23 sells diesel fuel is eligible for this new tax credit if the
24 retail dealer sells 50 percent or more biodiesel blended fuel.
25 The tax credit is 3 cents for the total number of gallons of
26 biodiesel blended fuel sold by the retailer. This tax credit
27 is repealed on January 1, 2012.

28 RETROACTIVE APPLICABILITY. The division provides for the
29 applicability of the retail tax credit provisions, including
30 by providing that the tax credits apply retroactively
31 beginning on and after January 1, 2006.

32 DIVISION IV -- PETROLEUM REPLACEMENT INITIATIVE. This
33 division amends provisions in Code chapter 452A providing for
34 the excise tax on motor fuel. The division amends Code
35 section 214A.2 which currently provides that after June 30,

1 2007, the excise tax for both ethanol and nonethanol is 20
2 cents per gallon.

3 KEY DETERMINATION PERIODS. The division provides that by
4 March 1 after each key determination period, the department of
5 revenue must determine whether an ethanol percentage threshold
6 has been met. The thresholds are as follows: (1) the
7 aggregate distribution must be at least 10 percent ethanol for
8 the key determination period beginning January 1, 2009, and
9 ending December 31, 2009; (2) the aggregate distribution must
10 be at least 15 percent ethanol for the key determination
11 period beginning January 1, 2014, and ending December 31,
12 2014; (3) the aggregate distribution must be at least 20
13 percent ethanol for the key determination period beginning
14 January 1, 2019, and ending December 31, 2019; and (4) the
15 aggregate distribution must be at least 25 percent ethanol for
16 the key determination period beginning January 1, 2024, and
17 ending December 31, 2024.

18 EXCISE TAXES. According to the division, if an ethanol
19 threshold has been met, the excise tax is 20 cents per gallon
20 for both ethanol and nonethanol for the next five years. If
21 an ethanol threshold has not been met, then starting July 1 of
22 the following year the excise tax on nonethanol is increased
23 to a special rate for the next five years. The special rate
24 is determined by using a formula which multiplies 2 cents by
25 an ethanol threshold disparity factor. The factor is
26 determined by calculating the difference between the aggregate
27 gallons of ethanol sold and the number of aggregate gallons of
28 ethanol which were required to be sold to meet the threshold
29 during a key determination period.

30 REPORTING. The division requires that each retailer report
31 its total gasoline gallonage and its total ethanol gallonage
32 to the department of revenue by February 1 of each year. The
33 department must deliver a report to the governor and the
34 legislative services agency including the aggregate gasoline
35 gallonage for the previous determination period, the aggregate

1 ethanol distribution percentage for the previous determination
2 period, the projected aggregate gasoline gallonage, the
3 aggregate ethanol gallonage, and the projected ethanol
4 threshold percentage disparity for each future key
5 determination period.

6 DIVISION IV -- COORDINATING PROVISIONS -- GOVERNMENT
7 VEHICLES. This division amends the provisions that require
8 state and local government vehicles to operate using ethanol
9 blended gasoline. It also amends similar provisions which
10 require state agencies to purchase flexible fuel vehicles.
11 The division standardizes the language and refers to common
12 definitions as created in the division amending Code section
13 214A.1 and related standards created in the division amending
14 Code section 214A.2.

15 DIVISION V -- COORDINATING PROVISIONS -- MISCELLANEOUS. A
16 number of provisions in the Code refer to alcohol or ethanol
17 blended gasoline, including E-85 gasoline, and soydiesel or
18 biofuel. This division standardizes the language and refers
19 to common definitions as created in the division amending Code
20 section 214A.1 and related standards created in the division
21 amending Code section 214A.2.

22 DIVISION VI -- CHANGE IN TERMS. This division amends a
23 number of provisions by changing the term "oxygenate octane
24 enhancer" to "oxygenate", "motor vehicle fuel" to "motor
25 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for
26 purposes of consistency in chapters throughout the Code, but
27 in particular in Code chapters 214A and 452A.

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HSB 587
Agriculture

S. Olson - Chair
Zalk
Kaufmann
Drake
Meitz
Kuhn
Reasoner

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CF (HF) 2735

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

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

A BILL FOR

1 An Act relating to the formulation of motor fuel, by providing
2 for renewable fuel including ethanol blended fuel and
3 biodiesel blended fuel, providing incentives for
4 infrastructure used to store and dispense renewable fuel,
5 income tax credits, and an appropriation, providing penalties,
6 making penalties applicable, and providing an applicability
7 date.

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

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DIVISION I

ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

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3 Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of
4 this state that by January 1, 2021, ethanol will replace
5 twenty percent of all petroleum used in the formulation of
6 gasoline.

7 Sec. 2. Section 214A.1, Code 2005, is amended by adding
8 the following new subsections:

9 NEW SUBSECTION. 0A. "Advertise" means to present a
10 commercial message in any medium, including but not limited to
11 print, radio, television, sign, display, label, tag, or
12 articulation.

13 NEW SUBSECTION. 1A. "B-2 biodiesel blended fuel" means
14 biodiesel blended fuel formulated with a minimum percentage of
15 two percent by volume of biodiesel, if the formulation meets
16 the standards provided in section 214A.2.

17 NEW SUBSECTION. 1B. "B-5 biodiesel blended fuel" means
18 biodiesel blended fuel formulated with a minimum percentage of
19 five percent by volume of biodiesel, if the formulation meets
20 the standards provided in section 214A.2.

21 NEW SUBSECTION. 1C. "B-20 biodiesel blended fuel" means
22 biodiesel blended fuel formulated with a minimum percentage of
23 twenty percent by volume of biodiesel, if the formulation
24 meets the standards provided in section 214A.2.

25 NEW SUBSECTION. 1D. "Biodiesel" means a combustible
26 liquid comprised of mono-alkyl esters of long-chain fatty
27 acids which is all of the following:

28 a. A renewable fuel which is a motor fuel capable of
29 powering diesel engines or aircraft engines.

30 b. Processed from natural oils or fats derived from crops
31 such as soybeans, vegetables, or animals.

32 c. Meets departmental specifications for that type of
33 motor fuel as provided in section 214A.2.

34 NEW SUBSECTION. 1E. "Biodiesel blended fuel" means a
35 formulation of diesel fuel which is a liquid petroleum product

1 blended with biodiesel, if the formulation meets departmental
2 standards as provided in section 214A.2.

3 NEW SUBSECTION. 1F. "Committee" means the renewable fuels
4 and coproducts advisory committee established pursuant to
5 section 159A.4.

6 NEW SUBSECTION. 1G. "Dealer" means a wholesale dealer or
7 retail dealer.

8 NEW SUBSECTION. 1H. "Diesel fuel" means any liquid
9 product prepared, advertised, offered for sale, or sold for
10 use as, or commonly and commercially used as, motor fuel for
11 use in an internal combustion engine and ignited by pressure
12 without the presence of an electric spark, and which meets the
13 specifications provided in section 214A.2.

14 NEW SUBSECTION. 1I. "E-85 gasoline" means ethanol blended
15 gasoline formulated with a minimum percentage of between
16 seventy-five and eighty-five percent by volume of ethanol, if
17 the formulation meets the standards provided in section
18 214A.2.

19 NEW SUBSECTION. 1J. "Ethanol" means ethyl alcohol that is
20 denatured as required in 23 C.F.R., pts. 20 and 21, for use as
21 an oxygenate in gasoline.

22 NEW SUBSECTION. 1K. "Ethanol blended gasoline" means a
23 formulation of gasoline which is a liquid petroleum product
24 blended with ethanol, if the formulation meets the standards
25 provided in section 214A.2.

26 NEW SUBSECTION. 1L. "Gasoline" means any liquid product
27 prepared, advertised, offered for sale or sold for use as, or
28 commonly and commercially used as, motor fuel for use in a
29 spark-ignition, internal combustion engine, and which meets
30 the specifications provided in section 214A.2.

31 NEW SUBSECTION. 2A. "Motor fuel pump" means the same as
32 defined in section 214.1.

33 NEW SUBSECTION. 5A. "Renewable fuel" means a combustible
34 liquid derived from grain starch, oilseed, animal fat, or
35 other biomass; or produced from a biogas source, including any

1 nonfossilized decaying organic matter which is capable of
2 powering machinery, including but not limited to an engine or
3 power plant. Renewable fuel includes but is not limited to
4 ethanol blended gasoline, biodiesel, or biodiesel blended fuel
5 meeting the standards provided in section 214A.2.

6 NEW SUBSECTION. 5B. "Renewable fuel producer" means a
7 person engaged in the production of any of the following:

8 a. Ethanol for use as a distillate in ethanol blended
9 gasoline.

10 b. Biodiesel for use as a motor fuel or as a distillate in
11 biodiesel blended fuel.

12 NEW SUBSECTION. 7A. "Service station" means each
13 geographic location in this state where a retail dealer sells
14 and dispenses motor fuel on a retail basis.

15 Sec. 3. Section 214A.1, subsection 2, Code 2005, is
16 amended to read as follows:

17 2. "Motor vehicle fuel" means a substance or combination
18 of substances which is intended to be or is capable of being
19 used for the purpose of propelling or running by combustion
20 any of operating an internal combustion engine, including but
21 not limited to a motor vehicle, and is kept for sale or sold
22 for that purpose. ~~The products commonly known as kerosene and~~
23 ~~distillate or petroleum products of lower gravity (Baume~~
24 ~~scale), when not used to propel a motor vehicle or for~~
25 ~~compounding or combining with a motor vehicle fuel, are exempt~~
26 ~~from this chapter except as provided in section 214A.2A.~~

27 Sec. 4. Section 214A.1, subsections 6 and 8, Code 2005,
28 are amended by striking the subsections and inserting in lieu
29 thereof the following:

30 6. "Retail dealer" means a person who operates a place of
31 business where motor fuel is stored and dispensed from a motor
32 fuel pump for sale on a retail basis, including a service
33 station or mobile location.

34 8. "Wholesale dealer" means a person, other than a retail
35 dealer, who operates a place of business where motor fuel is

1 stored and dispensed for sale in this state, including a
2 permanent or mobile location.

3 Sec. 5. NEW SECTION. 214A.1A PRODUCTION STANDARDS --
4 ACCREDITATION.

5 A quality standards program for renewable fuel producers is
6 established. A renewable fuel producer shall not sell
7 biodiesel or biodiesel blended fuel in this state, and a
8 dealer shall not purchase biodiesel or biodiesel blended fuel
9 from a renewable fuel manufacturer, unless the renewable fuel
10 producer is accredited as required under the program. The
11 department, in consultation with the committee, shall certify
12 an accreditation service to administer the program. The
13 accreditation service shall perform a formal review and audit
14 of the capacity and commitment of the renewable fuel producer
15 to produce or market biodiesel or biodiesel blended fuel in a
16 manner and according to procedures that meet the program
17 standards for quality, including A.S.T.M. international
18 specifications and requirements for the storage, sampling,
19 testing, blending, shipping, and distribution of biodiesel and
20 biodiesel blended fuel as established by the accreditation
21 service.

22 Sec. 6. Section 214A.2, subsection 1, Code 2005, is
23 amended to read as follows:

24 1. The secretary department shall adopt rules pursuant to
25 chapter 17A for carrying out this chapter. The rules may
26 include, but are not limited to, specifications relating to
27 motor fuel or-oxygenate-octane-enhancers, including but not
28 limited to renewable fuel such as ethanol blended gasoline,
29 biodiesel, biodiesel blended fuel, and motor fuel components
30 such as an oxygenate or other additive. In the interest of
31 uniformity, the secretary department shall adopt by reference
32 or otherwise other specifications relating to tests and
33 standards for motor fuel or-oxygenate-octane-enhancers
34 including renewable fuel and motor fuel components,
35 established by the United States environmental protection

1 agency or A.S.T.M. (American society for testing and
2 materials) international, unless the secretary determines
3 those specifications are inconsistent with this chapter or are
4 not appropriate to the conditions which exist in this state.
5 In adopting standards for a renewable fuel, the department
6 shall consult with the committee.

7 Sec. 7. Section 214A.2, Code 2005, is amended by adding
8 the following new subsection:

9 NEW SUBSECTION. 2A. a. For motor fuel advertised for
10 sale or sold as gasoline by a dealer, the motor fuel must meet
11 registration requirements for that type of motor fuel and its
12 additives established by the United States environmental
13 protection agency including as provided under 42 U.S.C. §
14 7545.

15 b. If the motor fuel is advertised for sale or sold as
16 ethanol blended gasoline, the motor fuel must comply with
17 departmental standards which to every extent feasible shall
18 comply with specifications for ethanol blended gasoline
19 adopted by A.S.T.M. international. For ethanol blended
20 gasoline all of the following shall apply:

21 (1) For ethanol blended gasoline other than E-85 gasoline,
22 at least ten percent of the gasoline by volume must be
23 ethanol.

24 (2) For E-85 gasoline all of the following must apply:

25 (a) From the first day of April until the last day of
26 October, at least eighty-five percent of the gasoline by
27 volume must be ethanol.

28 (b) From the first day of November until the last day of
29 March, at least seventy-five percent of the gasoline by volume
30 must be ethanol.

31 (3) In calculating the percentage of ethanol required for
32 the formulation of ethanol blended gasoline fuel, a percentage
33 of a denaturant or contaminants permitted in the ethanol
34 blended gasoline may be excluded as provided by rules adopted
35 by the department.

1 Sec. 8. Section 214A.2, subsection 3, Code 2005, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 3. a. For motor fuel advertised for sale or sold as
5 biodiesel or biodiesel blended fuel by a dealer, the motor
6 fuel must meet registration requirements for that type of
7 motor fuel and its additives established by the United States
8 environmental protection agency including as provided under 42
9 U.S.C. § 7545.

10 b. Biodiesel shall be produced by a renewable fuel
11 producer accredited pursuant to the quality standards program
12 for renewable fuel producers as provided in section 214A.1A.

13 c. The motor fuel must comply with departmental standards
14 which to every extent feasible shall comply with
15 specifications adopted by A.S.T.M. international for biodiesel
16 or biodiesel blended fuel.

17 (1) The department shall adopt standards for biodiesel
18 blended fuel, including B-2 biodiesel blended fuel, B-5
19 biodiesel blended fuel, and B-20 biodiesel blended fuel. At
20 least two percent of biodiesel blended fuel by volume must be
21 biodiesel.

22 (2) In calculating the percentage of biodiesel required
23 for the formulation of biodiesel blended fuel, a percentage of
24 a denaturant or contaminants permitted in the biodiesel
25 blended fuel may be excluded as provided by rules adopted by
26 the department.

27 Sec. 9. Section 214A.2A, Code 2005, is amended to read as
28 follows:

29 214A.2A KEROSENE LABELING.

30 1. Fuel which is sold or is kept, offered, or exposed for
31 sale as kerosene shall be labeled as kerosene. The label
32 shall include the word "kerosene" and a designation as either
33 "K1" or "K2", and shall indicate that the kerosene is in
34 compliance with the standard specification adopted by the
35 A.S.T.M. in international specification D-3699 (1982).

1 2. A product commonly known as kerosene and distillate or
2 a petroleum product of lower gravity (Baume scale), when not
3 used to propel a motor vehicle or for compounding or combining
4 with a motor fuel, are exempt from this chapter except as
5 provided in this section.

6 Sec. 10. Section 214A.3, Code 2005, is amended to read as
7 follows:

8 214A.3 FALSE-REPRESENTATIONS ADVERTISING.

9 A person ~~for purposes of selling~~ shall not ~~falsely~~
10 represent do any of the following:

11 1. Falsely advertise the quality or kind of any motor
12 vehicle fuel or an oxygenate octane-enhancer-or-add which may
13 be added to motor fuel.

14 2. Falsely advertise that a motor fuel is a renewable
15 fuel.

16 a. The person shall not advertise the sale of motor fuel
17 using the letter "E" followed by a number, such as "E-10" or
18 "E-85", or use the term "ethanol", "ethanol blend", or use any
19 derivative, plural, or compound of any such term unless the
20 motor fuel meets the standards provided in section 214A.2.

21 b. The person shall not advertise the sale of motor fuel
22 using the letter "B" followed by a number, such as "B-2", "B-
23 5", or "B-20", or use the term "biodiesel", "biodiesel blend",
24 or use any derivative, plural, or compound of any such term
25 unless the motor fuel meets the standards provided in section
26 214A.2.

27 3. Add a coloring matter thereto to motor vehicle fuel for
28 the purpose of misleading the public as to its quality.

29 DIVISION II

30 RENEWABLE FUEL INFRASTRUCTURE

31 Sec. 11. Section 455G.2, Code Supplement 2005, is amended
32 by adding the following new subsections:

33 NEW SUBSECTION. 3A. "Biodiesel" and "biodiesel blended
34 fuel" mean the same as defined in section 214A.1.

35 NEW SUBSECTION. 8A. "Department" means the department of

1 natural resources created in section 455A.2.

2 NEW SUBSECTION. 10A. "E-85 gasoline", "gasoline", "motor
3 fuel", "motor fuel pump", "retail dealer", and "service
4 station" mean the same as defined in section 214A.1.

5 NEW SUBSECTION. 15A. "Motor fuel storage and dispensing
6 infrastructure" or "infrastructure" means a tank and motor
7 fuel pumps necessary to keep and dispense motor fuel at a
8 service station, including but not limited to all associated
9 equipment, dispensers, pumps, pipes, hoses, tubes, lines,
10 fittings, valves, filters, seals, and covers.

11 SUBCHAPTER III

12 RENEWABLE FUEL INFRASTRUCTURE

13 Sec. 12. NEW SECTION. 455G.31 APPROPRIATION.

14 1. For each fiscal year of the period beginning July 1,
15 2006, and ending June 30, 2009, there is appropriated from the
16 healthy Iowans tobacco trust created in section 12.65 to the
17 renewable fuel infrastructure fund created in section 455G.32
18 seven hundred fifty thousand dollars.

19 2. This section is repealed July 1, 2009.

20 Sec. 13. NEW SECTION. 455G.32 RENEWABLE FUEL
21 INFRASTRUCTURE FUND.

22 1. A renewable fuel infrastructure fund is created in the
23 state treasury under the control of the department. The fund
24 is separate from the general fund of the state.

25 2. Moneys in the renewable fuel infrastructure fund are
26 appropriated to the department exclusively to support the
27 renewable fuel infrastructure program as provided in 455G.33.

28 a. Of the unobligated and unencumbered balance in the fund
29 on July 1 of a fiscal year and moneys appropriated to the fund
30 for that fiscal year, the department shall not use more than
31 one percent of that amount to pay for the department's
32 administrative expenses necessary to administer the program.

33 b. Moneys in the fund shall not be transferred, used,
34 obligated, appropriated, or otherwise encumbered except as
35 necessary to administer the program.

1 3. a. Payments of interest, repayments of moneys loaned,
2 and the recaptures of moneys awarded pursuant to the program
3 shall be deposited in the renewable fuel infrastructure fund.

4 b. Notwithstanding section 8.33, any unexpended balance in
5 the fund at the end of the fiscal year shall be retained in
6 the fund.

7 c. Notwithstanding section 12C.7, subsection 2, interest,
8 earnings on investments, or time deposits of the moneys in the
9 fund shall be credited to the fund.

10 Sec. 14. NEW SECTION. 455G.33 RENEWABLE FUEL
11 INFRASTRUCTURE PROGRAM.

12 The department, in cooperation with the board, shall
13 establish and administer a renewable fuel infrastructure
14 program as follows:

15 1. The purpose of the program is to improve a service
16 station by installing, replacing, or converting motor fuel
17 storage and dispensing infrastructure. The infrastructure
18 must be designed and shall be used exclusively to store and
19 dispense E-85 gasoline, biodiesel, or biodiesel blended fuel
20 on the premises of service stations operated by retail
21 dealers.

22 2. The department shall award financial incentives to a
23 person participating in the program. In order to be eligible
24 to participate in the program all of the following must apply:

25 a. The person must be an owner or operator of the service
26 station.

27 b. The person must apply to the department in a manner and
28 according to procedures required by the department. The
29 application must contain all information required by the
30 department and shall at least include all of the following:

31 (1) The name of the person and the address of the service
32 station to be improved.

33 (2) A detailed description of the infrastructure to be
34 installed, replaced, or converted, including but not limited
35 to the model number of each installed, replaced, or converted

1 motor fuel storage tank if available.

2 (3) A statement describing how the service station is to
3 be improved, the total estimated cost of the planned
4 improvement, and the date when the infrastructure will be
5 first used to store and dispense the renewable fuel.

6 (4) A statement certifying that the infrastructure shall
7 not be used to store or dispense motor fuel other than E-85
8 gasoline, biodiesel, or biodiesel blended fuel, unless granted
9 a waiver by the department pursuant to this section.

10 3. A service station which is improved using financial
11 incentives must comply with federal and state standards
12 governing new or upgraded motor fuel storage tanks used to
13 store and dispense the renewable fuel. A site classified as a
14 no further action site pursuant to a certificate issued by the
15 department under section 455B.474 shall retain its
16 classification following modifications necessary to store and
17 dispense the renewable fuel and the owner or operator shall
18 not be required to perform a new site assessment unless the
19 site causes a clear, present, and impending danger to the
20 public health or the environment.

21 4. a. For the period beginning July 1, 2006, and ending
22 June 30, 2009, the department shall distribute financial
23 incentives to improve service stations located within each of
24 the six geographic regions described in section 173.4A.

25 b. The department shall not install, replace, or convert
26 infrastructure associated with more than one motor fuel
27 storage tank or motor fuel pump located at the same service
28 station.

29 5. The department's award of financial incentives to a
30 participating person shall be in the form of an interest-free
31 loan.

32 a. In order to participate in the program an eligible
33 person must execute a cost-share agreement with the department
34 in which the person contributes a percentage of the total
35 costs related to improving the service station. The financial

1 incentives awarded to the participating person shall not
2 exceed thirty percent of the estimated cost of making the
3 improvements or thirty percent of the actual cost of making
4 the improvements, whichever is less.

5 b. The department shall not award more than thirty
6 thousand dollars to improve a service station. The department
7 may make multiple awards to make improvements to a service
8 station so long as the total amount of the awards in all years
9 is not more than thirty thousand dollars.

10 c. A participating person shall not use the infrastructure
11 to store or dispense motor fuel other than E-85 gasoline,
12 biodiesel, or biodiesel blended fuel unless one of the
13 following applies:

14 (1) The participating person is granted a waiver by the
15 department. The participating person shall store or dispense
16 the motor fuel according to the terms and conditions of the
17 waiver.

18 (2) The department is immediately repaid the total amount
19 of moneys awarded to the participating person together with a
20 monetary penalty equal to twenty-five percent of that awarded
21 amount.

22 d. A participating person who acts in violation of an
23 agreement executed with the department pursuant to this
24 section is subject to a civil penalty of not more than one
25 thousand dollars a day for each day of the violation. The
26 civil penalty shall be deposited into the general fund of the
27 state.

28 DIVISION III

29 RENEWABLE FUEL TAX CREDIT FOR RETAIL DEALERS

30 Sec. 15. Section 422.11C, subsection 1, paragraphs a
31 through g, Code 2005, are amended by striking the paragraphs
32 and inserting in lieu thereof the following:

33 a. "E-85 gasoline", "ethanol blended gasoline",
34 "gasoline", "retail dealer", and "service station" mean the
35 same as defined in section 214A.1.

1 b. "Motor fuel pump" means the same as motor vehicle fuel
2 pump as defined in section 214.1.

3 c. "Sell" means to sell on a retail basis.

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

6 Sec. 16. Section 422.11C, subsection 2, paragraph b, Code
7 2005, is amended to read as follows:

8 b. The taxpayer operates at least one service station at
9 which more than sixty percent of the total gallons of gasoline
10 sold and dispensed through one or more metered motor fuel
11 pumps by the taxpayer in the tax year is ethanol blended
12 gasoline.

13 Sec. 17. Section 422.11C, subsection 3, Code 2005, is
14 amended to read as follows:

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

24 Sec. 18. NEW SECTION. 422.11M E-85 GASOLINE TAX CREDIT.

25 1. As used in this section, unless the context otherwise
26 requires:

27 a. "E-85 gasoline", "retail dealer", and "service station"
28 mean the same as defined in section 214A.1.

29 b. "Motor fuel pump" means the same as defined in section
30 214A.1.

31 c. "Sell" means to sell on a retail basis.

32 d. "Tax credit" means an E-85 gasoline tax credit as
33 provided in this section.

34 2. For the tax year beginning January 1, 2007, the
35 designated rate for the tax credit is twenty cents. After

1 that the department shall determine the designated rate based
2 on an annual distribution amount which is the total number of
3 gallons of E-85 gasoline that have been sold and distributed
4 from all motor fuel pumps located at all service stations for
5 a determination period beginning on July 1 and ending June 30.
6 The first determination period begins July 1, 2006, and ends
7 June 30, 2007. The last determination period begins July 1,
8 2009, and ends June 30, 2010. At the end of a determination
9 period, the department shall calculate the aggregate
10 distribution amount which combines the annual distribution
11 amount for that determination period with the annual
12 distribution amount for each previous determination period.

13 a. If at the end of a determination period the aggregate
14 distribution amount is three and one half million gallons of
15 E-85 gasoline or less, the designated rate for the following
16 tax year is twenty cents.

17 b. If at the end of a determination period the aggregate
18 distribution amount is three and one-half million gallons of
19 E-85 gasoline or more but less than five and one-half million
20 gallons of E-85 gasoline, the designated rate for the
21 following tax year is fifteen cents.

22 c. If at the end of a determination period the aggregate
23 distribution amount is five and one-half million gallons of E-
24 85 gasoline or more but less than seven and one-half million
25 gallons of E-85 gasoline, the designated rate for the
26 following tax year is ten cents.

27 3. The taxes imposed under this division, less the credits
28 allowed under sections 422.12 and 422.12B, shall be reduced by
29 the amount of the E-85 gasoline tax credit for each tax year
30 that the taxpayer is eligible to claim under this section.

31 a. In order to be eligible, all of the following must
32 apply:

33 (1) The taxpayer is a retail dealer who owns or operates
34 at least one service station at which E-85 gasoline is sold
35 and dispensed through a motor fuel pump in the tax year in

1 which the tax credit is claimed.

2 (2) The taxpayer complies with requirements of the
3 department established to administer this section.

4 b. The tax credit shall be calculated for each service
5 station owned or operated by the taxpayer in the tax year in
6 which the tax credit is claimed. The amount of the tax credit
7 is calculated by multiplying the designated rate by the total
8 number of gallons of E-85 gasoline sold and dispensed through
9 all motor fuel pumps located at that service station during
10 the tax year.

11 4. Any credit in excess of the taxpayer's tax liability
12 shall be refunded. In lieu of claiming a refund, the taxpayer
13 may elect to have the overpayment shown on the taxpayer's
14 final, completed return credited to the tax liability for the
15 following tax year.

16 5. An individual may claim the tax credit allowed a
17 partnership, limited liability company, S corporation, estate,
18 or trust electing to have the income taxed directly to the
19 individual. The amount claimed by the individual shall be
20 based upon the pro rata share of the individual's earnings of
21 the partnership, limited liability company, S corporation,
22 estate, or trust.

23 6. This section is repealed on the earliest of the
24 following dates:

25 a. July 1 following the end of a determination period in
26 which the department determines that the aggregate
27 distribution amount is seven and one-half million gallons of
28 E-85 gasoline or more as provided in this section. The
29 department shall notify the Code editor in writing of the
30 aggregate distribution amount and include a citation to this
31 section and section 422.33.

32 b. July 1, 2012.

33 Sec. 19. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX
34 CREDIT.

35 1. As used in this section, unless the context otherwise

1 requires:

2 a. "Biodiesel blended fuel", "diesel fuel", "retail
3 dealer", and "service station" mean the same as defined in
4 section 214A.1.

5 b. "Motor fuel pump" means the same as defined in section
6 214.1.

7 c. "Sell" means to sell on a retail basis.

8 d. "Tax credit" means a biodiesel blended fuel tax credit
9 as provided in this section.

10 2. The taxes imposed under this division, less the credits
11 allowed under sections 422.12 and 422.12B, shall be reduced by
12 the amount of the biodiesel blended fuel tax credit for each
13 tax year that the taxpayer is eligible to claim under this
14 subsection.

15 a. In order to be eligible, all of the following must
16 apply:

17 (1) The taxpayer is a retail dealer who owns or operates
18 at least one service station at which biodiesel blended fuel
19 is sold and dispensed through a motor fuel pump in the tax
20 year in which the tax credit is claimed.

21 (2) The taxpayer complies with requirements of the
22 department established to administer this section.

23 b. The tax credit shall be calculated for each service
24 station owned or operated by the taxpayer in the tax year in
25 which the tax credit is claimed. The tax credit shall apply
26 to biodiesel blended fuel formulated with a minimum percentage
27 of two percent by volume of biodiesel, if the formulation
28 meets the standards provided in section 214A.2. The amount of
29 the tax credit is calculated by multiplying a designated rate
30 by the total number of gallons of biodiesel blended fuel sold
31 and dispensed through all motor fuel pumps located at that
32 service station during the tax year. The designated rate is
33 as follows:

34 (1) Three cents per gallon of biodiesel for all gallons of
35 biodiesel blended fuel which is fifty percent or more but less

1 than sixty percent of all diesel fuel sold and dispensed
2 through the motor fuel pumps at the service station.

3 (2) Four cents per gallon of biodiesel for all gallons of
4 biodiesel blended fuel which is sixty percent or more but less
5 than seventy percent of all diesel fuel sold and dispensed
6 through the motor fuel pumps at the service station.

7 (3) Five cents per gallon of biodiesel for all gallons of
8 biodiesel blended fuel which is seventy percent or more of all
9 diesel fuel sold and dispensed through the motor fuel pumps at
10 the service station.

11 3. Any credit in excess of the taxpayer's tax liability
12 shall be refunded. In lieu of claiming a refund, the taxpayer
13 may elect to have the overpayment shown on the taxpayer's
14 final, completed return credited to the tax liability for the
15 following tax year.

16 4. An individual may claim the tax credit allowed a
17 partnership, limited liability company, S corporation, estate,
18 or trust electing to have the income taxed directly to the
19 individual. The amount claimed by the individual shall be
20 based upon the pro rata share of the individual's earnings of
21 the partnership, limited liability company, S corporation,
22 estate, or trust.

23 5. This section is repealed January 1, 2012.

24 Sec. 20. Section 422.33, subsection 11, paragraph a,
25 subparagraph (1), Code Supplement 2005, is amended to read as
26 follows:

27 (1) "~~Ethanol~~ "E-85 gasoline", "ethanol blended gasoline",
28 "gasoline", "metered-pump", "motor fuel pump", "retail
29 dealer", "sell", and "service station" mean the same as
30 defined in section 422.11C.

31 Sec. 21. Section 422.33, subsection 11, paragraph b,
32 subparagraph (2), Code Supplement 2005, is amended to read as
33 follows:

34 (2) The taxpayer operates at least one service station at
35 which more than sixty percent of the total gallons of gasoline

1 sold and dispensed through one or more metered motor fuel
2 pumps by the taxpayer is ethanol blended gasoline.

3 Sec. 22. Section 422.33, subsection 11, paragraph c, Code
4 Supplement 2005, is amended to read as follows:

5 c. (1) The tax credit shall be calculated separately for
6 each service station site operated by the taxpayer.

7 (2) The amount of the tax credit for each eligible service
8 station is two and one-half cents multiplied by the total
9 number of gallons of ethanol blended gasoline sold and
10 dispensed through all metered motor fuel pumps located at that
11 service station during the tax year in excess of sixty percent
12 of all gasoline sold and dispensed through metered motor fuel
13 pumps at that service station during the tax year.

14 (3) The tax credit is not allowed for E-85 gasoline if the
15 taxpayer claims an E-85 gasoline tax credit as provided in
16 this subsection for the same tax year that the taxpayer may
17 claim an ethanol blended gasoline tax credit as provided in
18 this section.

19 Sec. 23. Section 422.33, Code Supplement 2005, is amended
20 by adding the following new subsection.

21 NEW SUBSECTION. 11A. The taxes imposed under this
22 division shall be reduced by an E-85 gasoline tax credit for
23 each tax year that the taxpayer is eligible to claim the tax
24 credit under this subsection.

25 a. The department shall determine the designated rate for
26 the tax credit in the same manner as provided in section
27 422.11M. The taxpayer may claim the E-85 gasoline tax credit
28 according to the same requirements, for the same amount, and
29 calculated in the same manner, as provided for the E-85
30 gasoline tax credit pursuant to section 422.11M.

31 b. Any E-85 gasoline tax credit which is in excess of the
32 taxpayer's tax liability shall be refunded or may be shown on
33 the taxpayer's final, completed return credited to the tax
34 liability for the following tax year in the same manner as
35 provided in section 422.11M.

1 c. This subsection is repealed on the same date as section
2 422.11M is repealed.

3 Sec. 24. Section 422.33, Code Supplement 2005, is amended
4 by adding the following new subsection.

5 NEW SUBSECTION. 11B. The taxes imposed under this
6 division shall be reduced by a biodiesel blended fuel tax
7 credit for each tax year that the taxpayer is eligible to
8 claim the tax credit under this subsection.

9 a. The taxpayer may claim the biodiesel blended fuel tax
10 credit according to the same requirements, for the same
11 amount, and calculated in the same manner, as provided for the
12 biodiesel blended fuel tax credit pursuant to section 422.11N.

13 b. Any biodiesel blended fuel tax credit which is in
14 excess of the taxpayer's tax liability shall be refunded or
15 may be shown on the taxpayer's final, completed return
16 credited to the tax liability for the following tax year in
17 the same manner as provided in section 422.11N.

18 c. This subsection is repealed January 1, 2012.

19 Sec. 25. APPLICABILITY DATE. Sections 422.11M and
20 422.11N, as enacted in this Act, and section 422.33,
21 subsections 11A and 11B, as enacted in this Act, apply to tax
22 years beginning on or after January 1, 2007.

23 DIVISION IV

24 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

25 Sec. 26. Section 8A.362, subsection 3, Code 2005, is
26 amended to read as follows:

27 3. a. The director shall provide for a record system for
28 the keeping of records of the total number of miles state-
29 owned motor vehicles are driven and the per-mile cost of
30 operation of each motor vehicle. Every state officer or
31 employee shall keep a record book to be furnished by the
32 director in which the officer or employee shall enter all
33 purchases of gasoline, lubricating oil, grease, and other
34 incidental expense in the operation of the motor vehicle
35 assigned to the officer or employee, giving the quantity and

1 price of each purchase, including the cost and nature of all
2 repairs on the motor vehicle. Each operator of a state-owned
3 motor vehicle shall promptly prepare a report at the end of
4 each month on forms furnished by the director and forwarded to
5 the director, giving the information the director may request
6 in the report. Each month the director shall compile the
7 costs and mileage of state-owned motor vehicles from the
8 reports and keep a cost history for each motor vehicle and the
9 costs shall be reduced to a cost-per-mile basis for each motor
10 vehicle. The director shall call to the attention of an
11 elected official or the head of any state agency to which a
12 motor vehicle has been assigned any evidence of the
13 mishandling or misuse of a state-owned motor vehicle which is
14 called to the director's attention.

15 b. A motor vehicle operated under this subsection shall
16 not operate on gasoline other than ethanol blended gasoline
17 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
18 section 214A.1, unless under emergency circumstances. A
19 state-issued credit card used to purchase gasoline shall not
20 be valid to purchase gasoline other than ethanol blended
21 gasoline ~~blended-with-at-least-ten-percent-ethanol~~, if
22 commercially available. The motor vehicle shall also be
23 affixed with a brightly visible sticker which notifies the
24 traveling public that the motor vehicle is being operated on
25 ethanol blended gasoline ~~blended-with-ethanol~~. However, the
26 sticker is not required to be affixed to an unmarked vehicle
27 used for purposes of providing law enforcement or security.

28 Sec. 27. Section 8A.362, subsection 5, paragraph a,
29 subparagraphs (1) and (2), Code 2005, are amended to read as
30 follows:

31 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
32 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as defined
33 in section 214A.1.

34 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
35 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section

1 ~~214A.1. At-least-twenty-percent-of-the-mixed-fuel-by-volume~~
2 ~~must-be-processed-soybean-oil.~~

3 Sec. 28. Section 216B.3, subsection 16, paragraph a, Code
4 2005, is amended to read as follows:

5 a. A motor vehicle purchased by the commission shall not
6 operate on gasoline other than ethanol blended gasoline
7 ~~blended-with-at-least-ten-percent-ethanol.~~ A state issued
8 credit card used to purchase gasoline shall not be valid to
9 purchase gasoline other than ethanol blended gasoline ~~blended~~
10 ~~with-at-least-ten-percent-ethanol.~~ The motor vehicle shall
11 also be affixed with a brightly visible sticker which notifies
12 the traveling public that the motor vehicle is being operated
13 on ethanol blended gasoline ~~blended-with-ethanol.~~ However,
14 the sticker is not required to be affixed to an unmarked
15 vehicle used for purposes of providing law enforcement or
16 security.

17 Sec. 29. Section 216B.3, subsection 16, paragraph b,
18 subparagraph (1), subparagraph subdivisions (a) and (b), Code
19 2005, are amended to read as follows:

20 (a) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
21 ~~gasoline and-at-least-eighty-five-percent-ethanol as defined~~
22 ~~in section 214A.1.~~

23 (b) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
24 ~~diesel-fuel-and-processed-soybean-oil as defined in section~~
25 ~~214A.1. At-least-twenty-percent-of-the-mixed-fuel-by-volume~~
26 ~~must-be-processed-soybean-oil.~~

27 Sec. 30. Section 260C.19A, subsection 1, Code 2005, is
28 amended to read as follows:

29 1. A motor vehicle purchased by or used under the
30 direction of the board of directors to provide services to a
31 merged area shall not operate on gasoline other than ethanol
32 blended gasoline ~~blended-with-at-least-ten-percent-ethanol as~~
33 ~~defined in section 214A.1.~~ The motor vehicle shall also be
34 affixed with a brightly visible sticker which notifies the
35 traveling public that the motor vehicle is being operated on

1 ethanol blended gasoline blended-with-ethanol. However, the
2 sticker is not required to be affixed to an unmarked vehicle
3 used for purposes of providing law enforcement or security.

4 Sec. 31. Section 260C.19A, subsection 2, paragraph a,
5 subparagraphs (1) and (2), Code 2005, are amended to read as
6 follows:

7 (1) ~~A fuel blended with not more than fifteen percent E-85~~
8 ~~gasoline and at least eighty-five percent ethanol~~ as defined
9 in section 214A.1.

10 (2) ~~A B-20 biodiesel blended fuel which is a mixture of~~
11 ~~diesel fuel and processed soybean oil~~ as defined in section
12 214A.1. ~~At least twenty percent of the mixed fuel by volume~~
13 ~~must be processed soybean oil.~~

14 Sec. 32. Section 262.25A, subsection 2, Code 2005, is
15 amended to read as follows:

16 2. A motor vehicle purchased by the institutions shall not
17 operate on gasoline other than gasoline blended with at least
18 ten percent ethanol. A state-issued credit card used to
19 purchase gasoline shall not be valid to purchase gasoline
20 other than ethanol blended gasoline blended-with-at-least-ten
21 percent ethanol as defined in section 214A.1. The motor
22 vehicle shall also be affixed with a brightly visible sticker
23 which notifies the traveling public that the motor vehicle is
24 being operated on ethanol blended gasoline blended-with
25 ethanol. However, the sticker is not required to be affixed
26 to an unmarked vehicle used for purposes of providing law
27 enforcement or security.

28 Sec. 33. Section 262.25A, subsection 3, paragraph a,
29 subparagraphs (1) and (2), Code 2005, are amended to read as
30 follows:

31 (1) ~~A fuel blended with not more than fifteen percent E-85~~
32 ~~gasoline and at least eighty-five percent ethanol~~ as defined
33 in section 214A.1.

34 (2) ~~A B-20 biodiesel blended fuel which is a mixture of~~
35 ~~processed soybean oil and diesel fuel~~ as defined in section

1. ~~214A.1. At least twenty percent of the fuel by volume must be
2 processed soybean oil.~~

3 Sec. 34. Section 279.34, Code 2005, is amended to read as
4 follows:

5 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
6 BLENDED ETHANOL BLENDED GASOLINE.

7 A motor vehicle purchased by or used under the direction of
8 the board of directors to provide services to a school
9 corporation shall not, on or after January 1, 1993, operate on
10 gasoline other than ethanol blended gasoline ~~blended with at~~
11 ~~least ten percent ethanol.~~ The motor vehicle shall also be
12 affixed with a brightly visible sticker which notifies the
13 traveling public that the motor vehicle is being operated on
14 ethanol blended gasoline ~~blended with ethanol.~~ However, the
15 sticker is not required to be affixed to an unmarked vehicle
16 used for purposes of providing law enforcement or security.

17 Sec. 35. Section 307.21, subsection 4, paragraph d, Code
18 2005, is amended to read as follows:

19 d. A motor vehicle purchased by the administrator shall
20 not operate on gasoline other than ethanol blended gasoline
21 ~~blended with at least ten percent ethanol~~ as defined in
22 section 214A.1. A state-issued credit card used to purchase
23 gasoline shall not be valid to purchase gasoline other than
24 ethanol blended gasoline ~~blended with at least ten percent~~
25 ~~ethanol.~~ The motor vehicle shall also be affixed with a
26 brightly visible sticker which notifies the traveling public
27 that the motor vehicle is being operated on ethanol blended
28 gasoline ~~blended with ethanol.~~ However, the sticker is not
29 required to be affixed to an unmarked vehicle used for
30 purposes of providing law enforcement or security.

31 Sec. 36. Section 307.21, subsection 5, paragraph a,
32 subparagraphs (1) and (2), Code 2005, are amended to read as
33 follows:

34 (1) ~~A fuel blended with not more than fifteen percent E-85~~
35 gasoline and at least eighty-five percent ethanol as defined

1 in section 214A.1.

2 (2) A B-20 biodiesel blended fuel which-is-a-mixture-of
3 processed-soybean-oil-and-diesel-fuel as defined in section
4 214A.1. At-least-twenty-percent-of-the-fuel-by-volume-must-be
5 processed-soybean-oil-

6 Sec. 37. Section 331.908, Code 2005, is amended to read as
7 follows:

8 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-
9 BLENDED ETHANOL BLENDED GASOLINE.

10 A motor vehicle purchased or used by a county to provide
11 county services shall not~~, on or after January 17, 1993,~~
12 operate on gasoline other than ethanol blended gasoline
13 blended-with-at-least-ten-percent-ethanol as defined in
14 section 214A.1. The motor vehicle shall also be affixed with
15 a brightly visible sticker which notifies the traveling public
16 that the motor vehicle is being operated on ethanol blended
17 gasoline blended-with-ethanol. However, the sticker is not
18 required to be affixed to an unmarked vehicle used for
19 purposes of providing law enforcement or security.

20 Sec. 38. Section 364.20, Code 2005, is amended to read as
21 follows:

22 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-
23 BLENDED ETHANOL BLENDED GASOLINE.

24 A motor vehicle purchased or used by a city to provide city
25 services shall not~~, on or after January 17, 1993,~~ operate on
26 gasoline other than ethanol blended gasoline blended-with-at
27 least-ten-percent-ethanol as defined in section 214A.1. The
28 motor vehicle shall also be affixed with a brightly visible
29 sticker which notifies the traveling public that the motor
30 vehicle is being operated on ethanol blended gasoline blended
31 with-ethanol. However, the sticker is not required to be
32 affixed to an unmarked vehicle used for purposes of providing
33 law enforcement or security.

34 Sec. 39. Section 904.312A, subsection 1, Code 2005, is
35 amended to read as follows:

1 1. A motor vehicle purchased by the department shall not
 2 operate on gasoline other than ethanol blended gasoline
 3 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
 4 section 214A.1. A state-issued credit card used to purchase
 5 gasoline shall not be valid to purchase gasoline other than
 6 ethanol blended gasoline ~~blended-with-at-least-ten-percent~~
 7 ~~ethanol~~. The motor vehicle shall also be affixed with a
 8 brightly visible sticker which notifies the traveling public
 9 that the motor vehicle is being operated on ethanol blended
 10 gasoline ~~blended-with-ethanol~~. However, the sticker is not
 11 required to be affixed to an unmarked vehicle used for
 12 purposes of providing law enforcement or security.

13 Sec. 40. Section 904.312A, subsection 2, paragraph a,
 14 subparagraphs (1) and (2), Code 2005, are amended to read as
 15 follows:

16 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~
 17 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as defined
 18 in section 214A.1.

19 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~
 20 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section
 21 214A.1. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume~~
 22 ~~must-be-processed-soybean-oil.~~

23 DIVISION V

24 COORDINATING PROVISIONS -- MISCELLANEOUS

25 Sec. 41. Section 15.401, Code Supplement 2005, is amended
 26 to read as follows:

27 15.401 ~~E-85-BLENDED-GASOLINE~~ RENEWABLE FUELS.

28 1. As used in this section, unless the context otherwise
 29 requires, "biodiesel", "biodiesel blended fuel", "E-85
 30 gasoline" and "service station" mean the same as defined in
 31 section 214A.1.

32 2. The department shall provide a cost-share program for
 33 financial incentives for the installation or conversion of
 34 infrastructure used by service stations to do all of the
 35 following:

1 ~~a. sell~~ Sell and dispense E-85 blended gasoline and-for
2 ~~the-installation-or-conversion-of.~~

3 ~~b. Install or convert~~ infrastructure required to establish
4 on-site and off-site terminal facilities that store biodiesel
5 or biodiesel blended fuel for distribution to service
6 stations.

7 3. The department shall provide for an addition of at
8 least thirty new or converted E-85 gasoline retail outlets and
9 four new or converted on-site or off-site terminal facilities
10 with a maximum expenditure of three hundred twenty-five
11 thousand dollars per year for the fiscal period beginning July
12 1, 2005, and ending June 30, 2008. The department may provide
13 for the marketing of these products in conjunction with this
14 infrastructure program.

15 Sec. 42. Section 159A.2, Code 2005, is amended by adding
16 the following new subsections:

17 NEW SUBSECTION. 0A. "Biodiesel" and "biodiesel blended
18 fuel" mean the same as defined in section 214A.1.

19 NEW SUBSECTION. 3A. "Department" means the department of
20 agriculture and land stewardship.

21 NEW SUBSECTION. 3B. "Ethanol blended gasoline" means the
22 same as defined in section 214A.1.

23 Sec. 43. Section 159A.2, subsection 6, Code 2005, is
24 amended by striking the subsection and inserting in lieu
25 thereof the following:

26 6. "Renewable fuel" means the same as defined in section
27 214A.1.

28 Sec. 44. Section 159A.2, subsection 8, Code 2005, is
29 amended by striking the subsection.

30 Sec. 45. Section 159A.3, subsection 3, Code 2005, is
31 amended to read as follows:

32 3. a. A chief purpose of the office is to further the
33 production and consumption of ethanol ~~fuel~~ blended gasoline in
34 this state. The office shall be the primary state agency
35 charged with the responsibility to promote public consumption

1 of ethanol ~~fuel~~ blended gasoline.

2 b. The office shall promote the production and consumption
3 of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this
4 state.

5 Sec. 46. Section 214A.19, subsection 1, unnumbered
6 paragraph 1, Code 2005, is amended to read as follows:

7 The department of natural resources, conditioned upon the
8 availability of funds, is authorized to award demonstration
9 grants to persons who purchase vehicles which operate on
10 alternative fuels, including but not limited to, ~~high-blend~~
11 ~~ethane~~ E-85 gasoline, biodiesel, compressed natural gas,
12 electricity, solar energy, or hydrogen. A grant shall be for
13 the purpose of conducting research connected with the fuel or
14 the vehicle, and not for the purchase of the vehicle itself,
15 except that the money may be used for the purchase of the
16 vehicle if all of the following conditions are satisfied:

17 Sec. 47. Section 307.20, Code 2005, is amended to read as
18 follows:

19 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING
20 FUND.

21 1. A biodiesel and biodiesel blended fuel revolving fund
22 is created in the state treasury. The biodiesel and biodiesel
23 blended fuel revolving fund shall be administered by the
24 department and shall consist of moneys received from the sale
25 of EPAct credits banked by the department on April 19, 2001,
26 moneys appropriated by the general assembly, and any other
27 moneys obtained or accepted by the department for deposit in
28 the fund. Moneys in the fund are appropriated to and shall be
29 used by the department for the purchase of biodiesel and
30 biodiesel blended fuel for use in department vehicles. The
31 department shall submit an annual report not later than
32 January 31 to the members of the general assembly and the
33 legislative services agency, of the expenditures made from the
34 fund during the preceding fiscal year. Section 8.33 does not
35 apply to any moneys in the fund and, notwithstanding section

1 12C.7, subsection 2, earnings or interest on moneys deposited
2 in the fund shall be credited to the fund.

3 2. A department departmental motor vehicle operating on
4 using biodiesel or biodiesel blended fuel shall be affixed
5 with a brightly visible sticker that notifies the traveling
6 public that the motor vehicle uses biodiesel blended fuel.

7 3. For purposes of this section the following definitions
8 apply:

9 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"
10 ~~means-soydiesel-fuel~~ mean the same as defined in section
11 ~~±59A-2~~ 214A.1.

12 b. "EPAct credit" means a credit issued pursuant to the
13 federal Energy Policy Act (EPAct), 42 U.S.C. § 13201 et seq.

14 Sec. 48. Section 452A.2, subsection 2, Code Supplement
15 2005, is amended by striking the subsection and inserting in
16 lieu thereof the following:

17 2. "Biodiesel" and "biodiesel blended fuel" mean the same
18 as defined in section 214A.1.

19 Sec. 49. Section 452A.2, subsection 3, Code Supplement
20 2005, is amended to read as follows:

21 3. "Blender" means a person who owns and blends ~~alcohol~~
22 ethanol with gasoline to produce ethanol blended gasoline and
23 blends the product at a nonterminal location. The ~~blender~~
24 person is not restricted to blending ~~alcohol~~ ethanol with
25 gasoline. Products blended with gasoline other than grain
26 ~~alcohol~~ ethanol are taxed as gasoline. "Blender" also means a
27 person blending two or more special fuel products at a
28 nonterminal location where the tax has not been paid on all of
29 the products blended. This blend is taxed as a special fuel.

30 Sec. 50. Section 452A.2, Code Supplement 2005, is amended
31 by adding the following new subsection:

32 NEW SUBSECTION. 9A. "E-85 gasoline" means the same as
33 defined in section 214A.1.

34 Sec. 51. Section 452A.2, subsection 11, Code Supplement
35 2005, is amended to read as follows:

1 11. "Ethanol blended gasoline" means motor-fuel-containing
2 ~~at-least-ten-percent-alcohol-distilled-from-cereal-grains~~ the
3 same as defined in section 214A.1.

4 Sec. 52. Section 452A.2, subsection 19, unnumbered
5 paragraph 1, Code Supplement 2005, is amended to read as
6 follows:

7 "Motor fuel" means ~~both~~ motor fuel as defined in section
8 214A.1 and includes all of the following:

9 Sec. 53. Section 452A.2, subsection 21, Code Supplement
10 2005, is amended to read as follows:

11 21. "Nonterminal storage facility" means a facility where
12 motor fuel or special fuel, other than liquefied petroleum
13 gas, is stored that is not supplied by a pipeline or a marine
14 vessel. "Nonterminal storage facility" includes a facility
15 that manufactures products such as ~~alcohol~~ ethanol as defined
16 in section 214A.1, biofuel, blend stocks, or additives which
17 may be used as motor fuel or special fuel, other than
18 liquefied petroleum gas, for operating motor vehicles or
19 aircraft.

20 Sec. 54. Section 452A.3, subsection 1B, Code Supplement
21 2005, is amended to read as follows:

22 1B. An excise tax of seventeen cents is imposed on each
23 gallon of E-85 gasoline, ~~which-contains-at-least-eighty-five~~
24 ~~percent-denatured-alcohol-by-volume-from-the-first-day-of~~
25 ~~April-until-the-last-day-of-October-or-seventy-percent~~
26 ~~denatured-alcohol-from-the-first-day-of-November-until-the~~
27 ~~last-day-of-March, used-for-the-privilege-of-operating-motor~~
28 ~~vehicles-in-this-state~~ as defined in section 214A.1, subject
29 to the determination provided in subsection 1C.

30 Sec. 55. Section 452A.6, Code 2005, is amended to read as
31 follows:

32 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS --
33 BLENDER'S LICENSE.

34 1. a. A person other than a supplier, restrictive
35 supplier, or importer licensed under this division, who blends

1 gasoline with ~~alcohol-distilled-from-cereal-grains-so-that-the~~
2 ~~blend-contains-at-least-ten-percent-alcohol-distilled-from~~
3 ~~cereal-grains~~ ethanol as defined in section 214A.1 in order to
4 formulate ethanol blended gasoline, shall obtain a blender's
5 license.

6 b. A person who blends two or more special fuel products
7 or sells one hundred percent biofuel shall obtain a blender's
8 license.

9 2. The A blender's license shall be obtained by following
10 the procedure under section 452A.4 and the blender's license
11 is subject to the same restrictions as contained in that
12 section.

13 3. A blender required to obtain a license pursuant to this
14 section shall maintain records as required by section 452A.10
15 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline,
16 and special fuels.

17 DIVISION VI

18 CHANGE OF TERMS

19 Sec. 56. CHANGE OF TERMS.

20 1. Sections 8A.362, 101.21, 159A.4, 214.1, 214.11, 214A.1,
21 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10,
22 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.40, 321.56,
23 423.14, 452A.63, 452A.66, and 452A.78, Code 2005, are amended
24 by striking from the provisions the words "motor vehicle fuel"
25 and inserting the following: "motor fuel".

26 2. Sections 214.1, 214.3, 214.9, 214.11, and 214A.16, Code
27 2005, are amended by striking the words "motor vehicle fuel
28 pump" or "motor vehicle fuel pumps" and inserting the
29 following: "motor fuel pump" or "motor fuel pumps".

30 3. Sections 159A.3 and 214A.17, Code 2005, are amended by
31 striking from the provisions the words "oxygenate octane
32 enhancers" and inserting the following: "oxygenates".

33 4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and
34 214A.10, Code 2005, are amended by striking from the
35 provisions the words "oxygenate octane enhancer" and inserting

1 the following: "oxygenate".

2 EXPLANATION

3 BACKGROUND. The general assembly has enacted a number of
4 Acts which have promoted the production and consumption of
5 ethanol blended gasoline.

6 In 1991, the general assembly enacted S.F. 545 (1991 Iowa
7 Acts, ch. 254), which requires that state and local government
8 vehicles operate using ethanol blended gasoline and provides
9 that a state-issued credit card can only be used to purchase
10 ethanol blended gasoline. The provisions state that ethanol
11 blended gasoline must contain at least 10 percent ethanol.

12 In 1994, the general assembly enacted H.F. 2337 (1994 Iowa
13 Acts, chapter 1119), which requires that of all new passenger
14 vehicles and light pickup trucks purchased by the department
15 of administrative services, other state agencies, and
16 community colleges, a minimum of 10 percent of those motor
17 vehicles must be equipped with engines which utilize
18 alternative fuels (referred to as alternative methods of
19 propulsion), including a flexible fuel (E-85 gasoline or
20 biodiesel blended gasoline). The alternative fuel
21 requirements do not apply to motor vehicles purchased and
22 directly used for law enforcement or purchased and used for
23 off-road maintenance work or to pull loaded trailers.

24 In 2001, the general assembly enacted H.F. 716 (2001 Iowa
25 Acts, ch. 123), which created a tax credit for retail dealers
26 of gasoline who sell ethanol blended gasoline (containing at
27 least 10 percent alcohol). The tax credit applies to both
28 taxpayers filing as individuals under Code section 422.11C and
29 businesses under Code section 422.33. Specifically, the Act
30 provided a tax credit for a retail dealer who operates at
31 least one service station at which more than 60 percent of the
32 total gallons of gasoline sold by the retail dealer is ethanol
33 blended gasoline.

34 The Act also amended provisions in Code section 452A.3 that
35 provide for an excise tax on each gallon of motor fuel sold in

1 the state. Under the Act, until June 30, 2007, the rates for
2 unblended and blended motor fuel are adjusted each year based
3 on the number of gallons of ethanol blended gasoline that are
4 distributed in this state as expressed as a percentage of the
5 total number of gallons of motor fuel distributed in this
6 state.

7 In 2005, the general assembly enacted H.F. 868 (2005 Iowa
8 Acts, ch. 150) imposing a special rate of 17 cents on each
9 gallon of E-85 gasoline (a blend containing a minimum of
10 between 75 and 85 percent alcohol depending on the season) if
11 certain conditions were met. The Act requires the department
12 of revenue to compare the amount of moneys actually collected
13 using the special 17 cents rate with the amount of moneys that
14 would have been collected if the adjusted rate applied. If
15 the difference is equal to or greater than \$25,000, the tax
16 rate beginning the next year is at the adjusted rate.

17 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.
18 This division amends Code chapter 214A, which provides
19 authority to the department of agriculture and land
20 stewardship to regulate the sale of motor fuel.

21 The division amends Code section 214A.1 by providing a
22 number of definitions for "biodiesel", "biodiesel blended
23 fuel", "ethanol", "ethanol blended gasoline", and "E-85
24 gasoline". The division establishes a quality standards
25 program for renewable fuel producers. It provides that a
26 renewable fuel producer is prohibited from selling biodiesel
27 or biodiesel blended fuel in this state, and a dealer is
28 prohibited from purchasing biodiesel or biodiesel blended fuel
29 from a renewable fuel producer, unless the renewable fuel
30 producer is accredited under the terms and conditions of the
31 program. Under the program, an accreditation service
32 appointed by the department performs a formal review and audit
33 of the capacity and commitment of the renewable fuel producer
34 to produce or market biodiesel or biodiesel blended fuel in a
35 manner and according to procedures that meet the program

1 standards for quality.

2 The division amends Code section 214A.2, which provides for
3 different types of motor fuel and establishes standards or
4 specifications for motor fuel. The division amends the
5 section to require that ethanol blended gasoline contain a
6 blend of at least 10 percent ethanol (the so called "E-10"
7 standard). It designates gasoline with a minimum seasonal
8 blend of between 75 and 85 percent or more ethanol as E-85
9 blended gasoline based on current law (see Code Supplement
10 section 452A.3).

11 The division establishes similar standards for biodiesel
12 and biodiesel blended fuel. It requires that biodiesel
13 blended fuel contain at least 2 percent biodiesel by volume.
14 It prohibits any person from falsely advertising motor fuel,
15 including renewable fuel, and specifically, ethanol blended
16 gasoline and biodiesel blended gasoline. Code section 214A.11
17 provides that any person violating the provisions of Code
18 chapter 214A is guilty of a simple misdemeanor. A simple
19 misdemeanor is punishable by confinement for no more than 30
20 days or a fine of at least \$50, but not more than \$500, or by
21 both.

22 DIVISION II -- RENEWABLE FUEL INFRASTRUCTURE. This
23 division establishes a renewable fuel infrastructure
24 initiative. It appropriates moneys from the healthy Iowans
25 tobacco trust to a renewable fuel infrastructure fund which is
26 under the control of the department of natural resources.
27 Moneys in the fund are appropriated to the department
28 exclusively to support a renewable fuel infrastructure program
29 as created in the division, including costs necessary to
30 administer the program. The department must cooperate with
31 the Iowa comprehensive petroleum underground storage tank fund
32 board in carrying out the program.

33 The purpose of the program is to improve a service station
34 by installing, replacing, or converting motor fuel storage and
35 dispensing infrastructure which is designed and used

1 exclusively to store and dispense E-85 gasoline, biodiesel, or
2 biodiesel blended fuel on a retail basis. The division
3 includes eligibility requirements for a person to participate
4 in the program. The department must distribute financial
5 incentives to improve service stations located throughout the
6 state. The financial incentives must be in the form of an
7 interest-free loan. In order to participate in the program an
8 eligible person must execute a cost-share agreement with the
9 department in which the person contributes a percentage of the
10 total costs related to improving the service station. A
11 participating person who acts in violation of a cost-share
12 agreement with the department is subject to a civil penalty of
13 not more than \$1,000 a day for each day of the violation.

14 DIVISION III -- RENEWABLE FUEL TAX CREDIT FOR RETAIL
15 DEALERS. This division amends tax credit provisions in Code
16 chapter 422 to provide that a retail dealer who sells E-85
17 gasoline is eligible to receive a tax credit. The tax credit
18 applies to taxpayers filing as individuals or businesses. The
19 amount of the tax credit is a designated rate multiplied by
20 the total number of gallons of E-85 gasoline sold and
21 dispensed through all motor fuel pumps operated at each of the
22 taxpayer's service stations during the tax year. The
23 designated rate ranges from 10 cents to 20 cents depending
24 upon the number of E-85 gasoline gallons sold on a statewide
25 basis.

26 The division also provides that a retail dealer who sells
27 biodiesel blended fuel is also eligible to receive a tax
28 credit with similar requirements that apply to a retail dealer
29 who sells ethanol blended gasoline (E-10 gasoline). In this
30 case, the amount is based on each gallon of biodiesel sold and
31 dispensed by the retail dealer and ranges from 3 to 5 cents
32 depending upon the percentage of biodiesel blended fuel sold
33 when compared to the total amount of diesel fuel sold.

34 The E-85 gasoline and biodiesel blended fuel tax credits
35 are not available after December 31, 2011.

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1 The provisions in division III which provide a tax credit
2 to retail dealers selling E-85 gasoline and biodiesel blended
3 fuel apply to tax years beginning on or after January 1, 2007,
4 and are repealed on January 1, 2012.

5 DIVISION IV -- COORDINATING PROVISIONS -- GOVERNMENT
6 VEHICLES. This division amends the provisions that require
7 state and local government vehicles to operate using ethanol
8 blended gasoline. It also amends similar provisions which
9 require state agencies to purchase flexible fuel vehicles.
10 The division standardizes the language and refers to common
11 definitions as created in the division amending Code section
12 214A.1 and related standards created in the division amending
13 Code section 214A.2.

14 DIVISION V -- COORDINATING PROVISIONS -- MISCELLANEOUS. A
15 number of provisions in the Code refer to alcohol or ethanol
16 blended gasoline, including E-85 gasoline, and soydiesel or
17 biofuel. This division standardizes the language and refers
18 to common definitions as created in the division amending Code
19 section 214A.1 and related standards created in the division
20 amending Code section 214A.2.

21 DIVISION VI -- CHANGE IN TERMS. This division amends a
22 number of provisions by changing the term "oxygenate octane
23 enhancer" to "oxygenate", "motor vehicle fuel" to "motor
24 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for
25 purposes of consistency in chapters throughout the Code, but
26 in particular in Code chapters 214A and 452A.

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