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WAYS & MEANS CALENDAR

HOUSE FILE 2754

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2735)

(SUCCESSOR TO HSB 587)

Passed House, Date 3-28-06 Passed Senate, Date 4/11/06  
Vote: Ayes 92 Nays 7 Vote: Ayes 49 Nays 1

*Passed 4/12/06* Approved 5/30/06  
*Vote 97-1*

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 2754

1 DIVISION I

2 ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

3 Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of  
4 this state that by January 1, 2025, biofuel will replace  
5 twenty-five percent of all petroleum used in the formulation  
6 of 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. "Biodiesel" means a renewable fuel  
14 comprised of mono-alkyl esters of long-chain fatty acids  
15 derived from vegetable oils or animal fats, which meets the  
16 standards provided in section 214A.2.

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

21 NEW SUBSECTION. 1C. "Biofuel" means ethanol or biodiesel.

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

25 NEW SUBSECTION. 1E. "Dealer" means a wholesale dealer or  
26 retail dealer.

27 NEW SUBSECTION. 1F. "Diesel fuel" means any liquid, other  
28 than gasoline, which is suitable for use as a fuel in a diesel  
29 fuel powered engine, including but not limited to a motor  
30 vehicle, equipment as defined in section 322F.1, or a train.  
31 Diesel fuel includes a liquid product prepared, advertised,  
32 offered for sale, or sold for use as, or commonly and  
33 commercially used as, motor fuel for use in an internal  
34 combustion engine and ignited by pressure without the presence  
35 of an electric spark. Diesel fuel must meet the standards

1 provided in section 214A.2.

2 NEW SUBSECTION. 1G. "E-85 gasoline" means ethanol blended  
3 gasoline formulated with a minimum percentage of between  
4 seventy and eighty-five percent by volume of ethanol, if the  
5 formulation meets the standards provided in section 214A.2.

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

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

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

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

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

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

30 a. Ethanol for use as a blending component in ethanol  
31 blended gasoline.

32 b. Biodiesel for use as a motor fuel or as a distillate in  
33 biodiesel blended fuel.

34 NEW SUBSECTION. 6A. "Retail motor fuel site" means a  
35 geographic location in this state where a retail dealer sells

1 and dispenses motor fuel on a retail basis.

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

4 2. "Motor ~~vehicle~~ fuel" means a substance or combination  
5 of substances which is intended to be or is capable of being  
6 used for the purpose ~~of propelling or running by combustion~~  
7 any of operating an internal combustion engine, including but  
8 not limited to a motor vehicle, and is kept for sale or sold  
9 for that purpose. ~~The products commonly known as kerosene and~~  
10 ~~distillate or petroleum products of lower gravity (Baume~~  
11 ~~scale), when not used to propel a motor vehicle or for~~  
12 ~~compounding or combining with a motor vehicle fuel, are exempt~~  
13 ~~from this chapter except as provided in section 214A.2A.~~

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

17 6. "Retail dealer" means a person engaged in the business  
18 of storing and dispensing motor fuel from a motor fuel pump  
19 for sale on a retail basis, regardless of whether the motor  
20 fuel pump is located at a retail motor fuel site.

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

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

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

1 ~~fuel or-oxygenate-octane-enhancers~~ including renewable fuel  
2 and motor fuel components, established by the United States  
3 environmental protection agency and A.S.T.M. (American-society  
4 ~~for-testing-and-materials)~~ international,--unless-the-secretary  
5 ~~determines-those-specifications-are-inconsistent-with-this~~  
6 ~~chapter-or-are-not-appropriate-to-the-conditions-which-exist~~  
7 ~~in-this-state.~~ In adopting standards for a renewable fuel,  
8 the department shall consult with the committee.

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

11 NEW SUBSECTION. 2A. a. For motor fuel advertised for  
12 sale or sold as gasoline by a dealer, the motor fuel must meet  
13 registration requirements for that type of motor fuel and its  
14 additives established by the United States environmental  
15 protection agency including as provided under 42 U.S.C. §  
16 7545.

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

23 (1) Ethanol must be agriculturally derived, having at  
24 least one hundred ninety proof, be denatured as required by  
25 federal law including 27 C.F.R., pts. 20 and 21, and conform  
26 to A.S.T.M. international specification D 4806-95b or a  
27 successor A.S.T.M. international specification as established  
28 by rules adopted by the department.

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

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

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

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

4 (c) E-85 gasoline must conform to A.S.T.M. international  
5 specification D 5798-99 or a successor A.S.T.M. international  
6 specification as established by rules adopted by the  
7 department.

8 (4) In calculating the percentage of ethanol required for  
9 the formulation of ethanol blended gasoline, a percentage of a  
10 denaturant or contaminants permitted in the ethanol blended  
11 gasoline may be excluded as provided by rules adopted by the  
12 department.

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

16 3. a. For motor fuel advertised for sale or sold as  
17 biodiesel or biodiesel blended fuel by a dealer, the motor  
18 fuel must meet registration requirements for that type of  
19 motor fuel and its additives established by the United States  
20 environmental protection agency including as provided under 42  
21 U.S.C. § 7545.

22 b. The motor fuel must comply with departmental standards  
23 which shall comply with specifications adopted by A.S.T.M.  
24 international for biodiesel or biodiesel blended fuel, to  
25 every extent applicable as determined by rules adopted by the  
26 department.

27 (1) Biodiesel must conform to A.S.T.M. international  
28 specification D 6751 or a successor A.S.T.M. international  
29 specification as established by rules adopted by the  
30 department. The specification shall apply to biodiesel before  
31 it leaves its place of manufacture.

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

34 (3) The biodiesel may be blended with diesel fuel whose  
35 sulfur, aromatic, lubricity, and cetane levels do not comply

1 with A.S.T.M. international specification D 975 grades 1-D or  
2 2-D, low sulfur 1-D or 2-D, or ultra-low sulfur grades 1-D or  
3 2D, provided that the finished biodiesel blended fuel meets  
4 A.S.T.M. international specification D 975 or a successor  
5 A.S.T.M. international specification as established by rules  
6 adopted by the department.

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

9 214A.2A KEROSENE LABELING.

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

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

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

23 214A.3 ADVERTISING.

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

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

28 b. Falsely advertise the quality or kind of any motor fuel  
29 or a component of motor fuel.

30 c. Add a coloring matter to the motor fuel which misleads  
31 a person who is purchasing the motor fuel about the quality of  
32 the motor fuel.

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

34 a. A person shall not knowingly falsely advertise that a  
35 motor fuel is a renewable fuel or is not a renewable fuel.

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

6 (2) Biodiesel blended fuel shall be designated B-xx where  
7 "xx" is the volume percent of biodiesel in the biodiesel  
8 blended fuel. A person shall not knowingly falsely advertise  
9 biodiesel blended fuel by using an inaccurate designation in  
10 violation of this subparagraph.

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

13 214A.8 PROHIBITION.

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

19 Sec. 11. Section 214A.11, Code 2005, is amended to read as  
20 follows:

21 214A.11 ~~VIOLATIONS~~ PENALTY.

22 Any A person violating-the-provisions who knowingly  
23 violates a provision of this chapter shall-be is guilty of a  
24 simple serious misdemeanor.

25 DIVISION II

26 RENEWABLE FUEL INFRASTRUCTURE

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

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

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

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

35 4. "Motor fuel" means ~~gasoline-or-diesel-fuel~~ the same as

1 motor fuel as defined in section 214A.1, which is of a type  
2 distributed for use as a fuel in self-propelled vehicles  
3 designed primarily for use on public streets, roads, and  
4 highways.

5 Sec. 14. Section 323A.2, subsection 1, paragraph a, Code  
6 2005, is amended to read as follows:

7 a. At least forty-eight hours prior to entering into an  
8 agreement to purchase motor fuel from another source, the  
9 franchisee has requested delivery of motor fuel from the  
10 franchisor and the requested motor fuel has not been delivered  
11 and the franchisor has given the franchisee notice that the  
12 franchisor is unable to provide the requested motor fuel, or  
13 prior to entering into an agreement the franchisor has stated  
14 to the franchisee that the requested motor fuel will not be  
15 delivered. The request to the franchisor for delivery shall  
16 be for a type of fuel normally provided by the franchisor to  
17 the franchisee and for a quantity of fuel not exceeding the  
18 average amount sold by the franchisee in one week, based upon  
19 average weekly sales in the three months preceding the  
20 request, except that this provision shall not restrict a  
21 franchisee from purchasing ethanol blended gasoline from a  
22 source other than the franchisor or limit the quantity to be  
23 purchased when the franchisor does not normally supply the  
24 franchisee with ethanol blended gasoline. A franchisee may  
25 also purchase E-85 gasoline as provided in section 323A.2A.

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

28 1. a. When on and after the effective date of this  
29 section of this Act, a franchise is entered into or renewed,  
30 the franchisor shall provide for the delivery of volumes of E-  
31 85 gasoline at times demanded by the franchisee or shall allow  
32 the franchisee to purchase those volumes of E-85 gasoline at  
33 those times from another source.

34 b. If a franchise is in effect on the effective date of  
35 this section of this Act and does not have an expiration date,

1 the franchisor shall provide for the delivery of volumes of E-  
2 85 gasoline at times demanded by the franchisee or shall allow  
3 the franchisee to purchase those volumes of E-85 gasoline at  
4 those times from another source.

5 2. If the franchisee sells E-85 gasoline delivered from a  
6 source other than the franchisor, the franchisee shall  
7 prominently post a sign disclosing this fact to the public on  
8 each motor fuel pump used for dispensing the E-85 gasoline.  
9 The size of the sign shall not be less than eight inches by  
10 ten inches and the letters on the sign shall be at least three  
11 inches in height.

12 3. A franchisee who sells E-85 gasoline delivered from a  
13 source other than the franchisor shall also fully indemnify  
14 the franchisor against any claims asserted by a user on which  
15 the claimant prevails and in which the court determines that  
16 E-85 gasoline not acquired from the franchisor was the  
17 proximate cause of the injury.

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

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

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

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

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

28 NEW SUBSECTION. 10A. "E-85 gasoline", "gasoline", "motor  
29 fuel", "motor fuel pump", "retail dealer", and "retail motor  
30 fuel site" mean the same as defined in section 214A.1.

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

34 NEW SUBSECTION. 13B. "Infrastructure fund" means the  
35 renewable fuel infrastructure fund as created in section

1 455G.32.

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

8 NEW SUBSECTION. 21A. "Terminal" means a storage and  
9 distribution facility for motor fuel or a blend stock such as  
10 ethanol or biodiesel that is supplied to a motor vehicle,  
11 pipeline, or a marine vessel and from which the motor fuel or  
12 blend stock may be removed at a rack. "Terminal" does not  
13 include any of the following:

14 a. A retail motor fuel site.

15 b. A facility at which motor fuel or special fuel, or  
16 blend stocks are used in the manufacture of products other  
17 than motor fuel and from which no motor fuel or special fuel  
18 is removed.

19 NEW SUBSECTION. 21B. "Terminal operator" means a person  
20 who has responsibility for, or physical control over, the  
21 operation of a terminal, including by ownership, contractual  
22 agreement, or appointment.

23 SUBCHAPTER III

24 RENEWABLE FUEL INFRASTRUCTURE

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

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

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

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

4 b. For a dispenser, the manufacturer must state all of the  
5 following:

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

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

11 A manufacturer's statement must include a written  
12 statement, with reference to a particular type and model of  
13 equipment, signed by a responsible official on behalf of the  
14 manufacturer, provided either to the retail dealer using the  
15 gasoline storage and dispensing infrastructure or to the  
16 department of natural resources or the department of public  
17 safety. If the written statement is provided to a retail  
18 dealer, the statement shall be retained in the files on the  
19 premises of the retail dealer and shall be available to  
20 personnel of the department of natural resources or the  
21 department of public safety upon request.

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

23 Sec. 18. NEW SECTION. 455G.32 RENEWABLE FUEL  
24 INFRASTRUCTURE FUND.

25 1. A renewable fuel infrastructure fund is created in the  
26 state treasury under the control of the department. The fund  
27 is separate from the general fund of the state.

28 2. Moneys in the renewable fuel infrastructure fund are  
29 appropriated to the department exclusively to support the  
30 renewable fuel infrastructure programs as provided in sections  
31 455G.34 and 455G.35. Sixty-five percent of the moneys in the  
32 fund shall be allocated to support infrastructure relating to  
33 storing and dispensing E-85 gasoline as provided in section  
34 455G.34 and the remaining amount shall be allocated to support  
35 infrastructure relating to storing and dispensing biodiesel or

1 biodiesel blended fuel as provided in sections 455G.34 and  
2 455G.35. However, the renewable fuel infrastructure board may  
3 adjust this percentage allocation, if the board determines  
4 that there are not sufficient persons eligible to be awarded  
5 moneys to support infrastructure relating to storing and  
6 dispensing E-85 gasoline or to support infrastructure relating  
7 to storing and dispensing of biodiesel or biodiesel blended  
8 fuel. Moneys in the fund shall not be transferred, used,  
9 obligated, appropriated, or otherwise encumbered except as  
10 necessary to administer the program.

11 3. a. Payments of interest, the recapture of awards or  
12 penalties, or other repayments of moneys originating from the  
13 renewable fuel infrastructure fund shall be deposited into the  
14 fund.

15 b. Notwithstanding section 8.33, any unexpended balance in  
16 the fund at the end of the fiscal year shall be retained in  
17 the fund.

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

21 Sec. 19. NEW SECTION. 455G.33 RENEWABLE FUEL  
22 INFRASTRUCTURE BOARD.

23 A renewable fuel infrastructure board is established within  
24 the department.

25 1. The department shall provide the infrastructure board  
26 with necessary facilities, items, and clerical support. The  
27 department shall perform administrative functions necessary  
28 for the management of the infrastructure board, the renewable  
29 fuel infrastructure fund created in section 455G.32, and the  
30 renewable fuel infrastructure programs as provided in sections  
31 455G.34 and 455G.35, all under the direction of the  
32 infrastructure board.

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

35 a. One person representing insurers who is knowledgeable

1 about issues relating to underground storage tanks.

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

4 (1) The agribusiness association of Iowa.

5 (2) The Iowa corn growers association.

6 (3) The Iowa farm bureau federation.

7 (4) The Iowa motor truck association.

8 (5) The Iowa soybean association.

9 (6) The petroleum marketers and convenience stores of  
10 Iowa.

11 (7) The Iowa petroleum equipment contractors association.

12 (8) The Iowa renewable fuels association.

13 3. Appointments of voting members to the infrastructure  
14 board are subject to the requirements of sections 69.16 and  
15 69.16A. In addition, the appointments shall be geographically  
16 balanced. The governor's appointees shall be confirmed by the  
17 senate, pursuant to section 2.32.

18 4. The members of the infrastructure board shall serve  
19 five-year terms beginning and ending as provided in section  
20 69.19. However, the governor shall appoint initial members to  
21 serve for less than five years to ensure members serve  
22 staggered terms. A member is eligible for reappointment. A  
23 vacancy on the board shall be filled for the unexpired portion  
24 of the regular term in the same manner as regular appointments  
25 are made.

26 5. The infrastructure board shall elect a chairperson from  
27 among its members each year on a rotating basis as provided by  
28 the infrastructure board. The infrastructure board shall meet  
29 on a regular basis and at the call of the chairperson or upon  
30 the written request to the chairperson of five or more  
31 members.

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

35 7. Five members of the infrastructure board constitute a

1 quorum and the affirmative vote of a majority of the members  
2 present is necessary for any substantive action to be taken by  
3 the infrastructure board. The majority shall not include any  
4 member who has a conflict of interest and a statement by a  
5 member that the member has a conflict of interest is  
6 conclusive for this purpose. A vacancy in the membership does  
7 not impair the duties of the infrastructure board.

8 Sec. 20. NEW SECTION. 455G.34 RENEWABLE FUEL  
9 INFRASTRUCTURE PROGRAM FOR RETAIL MOTOR FUEL SITES.

10 A renewable fuel infrastructure program is established in  
11 the department under the direction of the renewable fuel  
12 infrastructure board created pursuant to section 455G.33.

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

20 2. The department shall award financial incentives to a  
21 person participating in the program as directed by the  
22 infrastructure board. The infrastructure board shall approve  
23 the cost-share agreements executed by the department and  
24 persons that the infrastructure board determines are eligible  
25 as provided in this section, according to terms and conditions  
26 required by the infrastructure board. The infrastructure  
27 board shall determine the amount of the financial incentives  
28 to be awarded to a person participating in the program. In  
29 order to be eligible to participate in the program all of the  
30 following must apply:

31 a. The person must be an owner or operator of the retail  
32 motor fuel site.

33 b. The person must apply to the department in a manner and  
34 according to procedures required by the infrastructure board.  
35 The application must contain all information required by the

1 infrastructure board and shall at least include all of the  
2 following:

3 (1) The name of the person and the address of the retail  
4 motor fuel site to be improved.

5 (2) A detailed description of the infrastructure to be  
6 installed, replaced, or converted, including but not limited  
7 to the model number of each installed, replaced, or converted  
8 motor fuel storage tank if available.

9 (3) A statement describing how the retail motor fuel site  
10 is to be improved, the total estimated cost of the planned  
11 improvement, and the date when the infrastructure will be  
12 first used to store and dispense the renewable fuel.

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

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

28 4. a. For the period beginning July 1, 2006, and ending  
29 June 30, 2009, the department upon direction of the  
30 infrastructure board shall distribute financial incentives to  
31 improve retail motor fuel sites located within each of the six  
32 geographic regions described in section 173.4A.

33 b. The infrastructure board shall not approve a cost-  
34 share agreement which awards financial incentives to install,  
35 replace, or convert infrastructure associated with more than

1 one motor fuel storage tank or motor fuel pump located at the  
2 same retail motor fuel site.

3 5. An award of financial incentives to a participating  
4 person shall be in the form of a grant.

5 a. In order to participate in the program an eligible  
6 person must execute a cost-share agreement with the department  
7 as approved by the infrastructure board in which the person  
8 contributes a percentage of the total costs related to  
9 improving the retail motor fuel site. The financial  
10 incentives awarded to the participating person shall not  
11 exceed thirty percent of the estimated cost of making the  
12 improvements or thirty percent of the actual cost of making  
13 the improvements, whichever is less.

14 b. The infrastructure board shall not approve an award of  
15 more than thirty thousand dollars to improve a retail motor  
16 fuel site. The infrastructure board may approve multiple  
17 awards to make improvements to a retail motor fuel site so  
18 long as the total amount of the awards in all years is not  
19 more than thirty thousand dollars.

20 c. A participating person shall not use the infrastructure  
21 to store or dispense motor fuel other than E-85 gasoline,  
22 biodiesel, or biodiesel blended fuel unless one of the  
23 following applies:

24 (1) The participating person is granted a waiver by the  
25 infrastructure board. The participating person shall store or  
26 dispense the motor fuel according to the terms and conditions  
27 of the waiver.

28 (2) The infrastructure fund is immediately repaid the  
29 total amount of moneys awarded to the participating person  
30 together with a monetary penalty equal to twenty-five percent  
31 of that awarded amount.

32 d. A participating person who acts in violation of an  
33 agreement executed with the department pursuant to this  
34 section is subject to a civil penalty of not more than one  
35 thousand dollars a day for each day of the violation. The

1 civil penalty shall be deposited into the general fund of the  
2 state.

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

5 The department, under the direction of the renewable fuel  
6 infrastructure board created in section 455G.33, and in  
7 cooperation with the Iowa comprehensive petroleum underground  
8 storage tank fund board, shall establish and administer a  
9 renewable fuel infrastructure program for terminal facilities  
10 that store and dispense biodiesel or biodiesel blended fuel.  
11 The infrastructure must be designed and shall be used  
12 exclusively to store and distribute biodiesel or biodiesel  
13 blended fuel. The department as directed by the  
14 infrastructure board shall provide a cost-share program for  
15 financial incentives.

16 1. To all extent practicable, the program shall be  
17 administered in consultation with the department of economic  
18 development when that department administers its cost-share  
19 program pursuant to section 15.401.

20 2. The department of natural resources shall award  
21 financial incentives to a terminal operator participating in  
22 the program as directed by the infrastructure board. In order  
23 to be eligible to participate in the program, the terminal  
24 operator must apply to the department in a manner and  
25 according to procedures required by the infrastructure board.  
26 The application must contain information required by the  
27 infrastructure board and shall at least include all of the  
28 following:

29 a. The name of the terminal operator and the address of  
30 the terminal to be improved.

31 b. A detailed description of the infrastructure to be  
32 installed, replaced, or converted.

33 c. A statement describing how the terminal is to be  
34 improved, the total estimated cost of the planned improvement,  
35 and the date when the infrastructure will be first used to

1 store and distribute biodiesel or biodiesel blended fuel.

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

6 3. The department's award of financial incentives to a  
7 participating terminal operator shall be in the form of a  
8 grant. In order to participate in the program, an eligible  
9 terminal operator must execute a cost-share agreement with the  
10 department in which the terminal operator contributes a  
11 percentage of the total costs related to improving the  
12 terminal. The financial incentives awarded to the  
13 participating terminal operator shall not exceed the estimated  
14 cost of making the improvements or the actual cost of making  
15 the improvements, whichever is less.

16 4. A participating terminal operator shall not use the  
17 infrastructure to store or dispense motor fuel other than  
18 biodiesel or biodiesel blended fuel, unless one of the  
19 following applies:

20 a. The participating terminal operator is granted a waiver  
21 by the infrastructure board. The participating terminal  
22 operator shall store or dispense the motor fuel according to  
23 the terms and conditions of the waiver.

24 b. The infrastructure fund is immediately repaid the total  
25 amount of moneys awarded to the participating terminal  
26 operator together with a monetary penalty equal to twenty-five  
27 percent of that awarded amount.

28 c. A participating terminal operator who acts in violation  
29 of an agreement executed with the department pursuant to this  
30 section is subject to a civil penalty of not more than one  
31 thousand dollars a day for each day of the violation. The  
32 civil penalty shall be deposited into the general fund of the  
33 state.

34 Sec. 22. EFFECTIVE DATE.

35 1. The sections of this Act amending sections 323A.1 and

1 323A.2, being deemed of immediate importance, take effect upon  
2 enactment.

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

5 DIVISION III

6 RENEWABLE FUEL INCOME TAX CREDIT PROVISIONS

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

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

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

15 c. "Retail motor fuel site" means the same as defined in  
16 section 214A.1.

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

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

20 Sec. 24. Section 422.11C, subsection 2, paragraph b, Code  
21 2005, is amended to read as follows:

22 b. The taxpayer operates at least one ~~service-station~~  
23 retail motor fuel site at which more than sixty percent of the  
24 total gallons of gasoline sold and dispensed through one or  
25 more ~~metered motor fuel~~ pumps by the taxpayer in the tax year  
26 is ethanol blended gasoline.

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

29 3. The tax credit shall be calculated separately for each  
30 ~~service-station~~ retail motor fuel site operated by the  
31 taxpayer. The amount of the tax credit for each eligible  
32 ~~service-station~~ retail motor fuel site is two and one-half  
33 cents multiplied by the total number of gallons of ethanol  
34 blended gasoline sold and dispensed through all ~~metered motor~~  
35 fuel pumps located at that ~~service-station~~ retail motor fuel

1 site during the tax year in excess of sixty percent of all  
2 gasoline sold and dispensed through metered motor fuel pumps  
3 at that service-station retail motor fuel site during the tax  
4 year.

5 3A. A taxpayer is not eligible to claim a designated  
6 ethanol blended gasoline tax credit as provided in this  
7 section, if the taxpayer claims any of the following:

8 a. An ethanol promotion tax credit as provided in section  
9 422.11N or 422.33.

10 b. An E-85 gasoline promotion tax credit as provided in  
11 section 422.110 or 422.33 for the same gallons of ethanol  
12 blended gasoline.

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

15 NEW SUBSECTION. 6. This section is repealed on January 1,  
16 2007.

17 Sec. 27. NEW SECTION. 422.11N ETHANOL PROMOTION TAX  
18 CREDIT.

19 1. As used in this section, unless the context otherwise  
20 requires:

21 a. "E-85 gasoline", "ethanol", "ethanol blended gasoline",  
22 "gasoline", "motor fuel pump", and "retail dealer" mean the  
23 same as defined in section 214A.1.

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

25 c. "Tax credit" means the ethanol promotion tax credit as  
26 provided in this section.

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

33 a. The taxpayer is a retail dealer who sells and dispenses  
34 ethanol blended gasoline through a motor fuel pump in the tax  
35 year in which the tax credit is claimed.

1 b. The retail dealer complies with requirements of the  
2 department to administer this section.

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

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

7 b. The retail dealer's total ethanol gallonage as provided  
8 in section 452A.31. The retail dealer may calculate the  
9 ethanol gallonage based on the schedule provided in section  
10 452A.32.

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

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

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

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

23 (2) Multiply the retail dealer's total gasoline gallonage  
24 by a deductible percentage and round off the resulting product  
25 to the nearest whole number to obtain the subtrahend. For  
26 calendar year 2011, the deductible percentage is one percent.  
27 For each subsequent calendar year, the deductible percentage  
28 shall keep increasing by one percent.

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

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

33 c. If a retail dealer's tax year ends prior to December 31  
34 of a calendar year, the retail dealer may continue to claim  
35 the tax credit in the retail dealer's following tax year. In

1 that case, the tax credit shall be five cents multiplied by  
2 the retail dealer's total ethanol gallonage for the period  
3 beginning on the first day of the retail dealer's new tax year  
4 until December 31. For that period, the tax credit shall be  
5 calculated in the same manner as a retail dealer whose tax  
6 year began on the previous January 1 and who is calculating  
7 the tax credit on that same December 31.

8 5. a. A retail dealer is eligible to claim an ethanol  
9 promotion tax credit as provided in this section even though  
10 the retail dealer claims an E-85 gasoline promotion tax credit  
11 pursuant to section 422.110 for the same tax year and for the  
12 same ethanol gallonage.

13 b. A retail dealer is not eligible to claim an ethanol  
14 promotion tax credit as provided in this section if the retail  
15 dealer claims a designated ethanol blended gasoline tax credit  
16 as provided in section 422.11C.

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

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

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

30 Sec. 28. NEW SECTION. 422.110 E-85 GASOLINE PROMOTION  
31 TAX CREDIT.

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

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

1 214A.1.

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

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

5 2. The taxes imposed under this division, less the credits  
6 allowed under sections 422.12 and 422.12B, shall be reduced by  
7 an E-85 gasoline promotion tax credit for each tax year that  
8 the taxpayer is eligible to claim under this subsection. In  
9 order to be eligible, all of the following must 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. The amount of the tax credit for a retail dealer is  
16 calculated by multiplying a designated rate by the retail  
17 dealer's total E-85 gasoline gallonage as provided in sections  
18 452A.31 and 452A.32. The designated rate is as follows:

19 a. For calendar year 2006 or calendar year 2007, twenty-  
20 five cents.

21 b. For calendar year 2008 or calendar year 2009, twenty  
22 cents.

23 c. For calendar year 2010, ten cents.

24 d. For calendar year 2011, nine cents.

25 e. For calendar year 2012, eight cents.

26 f. For calendar year 2013, seven cents.

27 g. For calendar year 2014, six cents.

28 h. For calendar year 2015, five cents.

29 i. For calendar year 2016, four cents.

30 j. For calendar year 2017, three cents.

31 k. For calendar year 2018, two cents.

32 l. For calendar year 2019, one cent.

33 4. If a retail dealer's tax year ends prior to December 31  
34 of a calendar year, the retail dealer may continue to claim  
35 the tax credit in the retail dealer's following tax year. In

1 that case, the tax credit shall be the designated rate  
2 multiplied by the retail dealer's total E-85 gasoline  
3 gallonage for the remaining period beginning on the first day  
4 of the retail dealer's new tax year until the next December  
5 31. For that remaining period, the tax credit shall be  
6 calculated in the same manner as a retail dealer whose tax  
7 year began on the previous January 1 and who is calculating  
8 the tax credit on that same December 31.

9 5. a. A retail dealer is eligible to claim an E-85  
10 gasoline promotion tax credit as provided in this section even  
11 though the retail dealer claims an ethanol promotion tax  
12 credit pursuant to section 422.11N for the same tax year for  
13 the same ethanol gallonage.

14 b. A retail dealer is not eligible to claim an E-85  
15 gasoline tax credit as provided in this section, if the retail  
16 dealer claims a designated ethanol blended gasoline tax credit  
17 as provided in section 422.11C.

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

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

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

31 Sec. 29. NEW SECTION. 422.11P BIODIESEL BLENDED FUEL TAX  
32 CREDIT.

33 1. As used in this section, unless the context otherwise  
34 requires:

35 a. "Biodiesel blended fuel", "diesel fuel", and "retail

1 dealer" mean the same as defined in section 214A.1.

2 b. "Motor fuel pump" means the same as defined in section  
3 214.1.

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

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

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

12 a. In order to be eligible, all of the following must  
13 apply:

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

17 (2) Of the total gallons of diesel fuel that the retail  
18 dealer sells and dispenses through all motor fuel pumps during  
19 the retail dealer's tax year, fifty percent or more is  
20 biodiesel blended fuel which meets the requirements of this  
21 section.

22 (3) The retail dealer complies with requirements of the  
23 department established to administer this section.

24 b. The tax credit shall apply to biodiesel blended fuel  
25 formulated with a minimum percentage of two percent by volume  
26 of biodiesel, if the formulation meets the standards provided  
27 in section 214A.2.

28 3. The amount of the tax credit is three cents multiplied  
29 by the total number of gallons of biodiesel blended fuel sold  
30 and dispensed by the retail dealer through all motor fuel  
31 pumps operated by the retail dealer during the retail dealer's  
32 tax year.

33 4. Any credit in excess of the retail dealer's tax  
34 liability shall be refunded. In lieu of claiming a refund,  
35 the retail dealer may elect to have the overpayment shown on

1 the retail dealer's final, completed return credited to the  
2 tax liability for the following tax year.

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

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

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

14 (1) ~~"Ethanol~~ "E-85 gasoline", "ethanol blended gasoline",  
15 "gasoline", "metered-pump", "motor fuel pump", "retail  
16 dealer", "retail motor fuel site", and "sell" and "service  
17 station" mean the same as defined in section 422.11C.

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

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

26 Sec. 32. Section 422.33, subsection 11, paragraph c, Code  
27 Supplement 2005, is amended to read as follows:

28 c. (1) The tax credit shall be calculated separately for  
29 each ~~service-station~~ retail motor fuel site operated by the  
30 taxpayer.

31 (2) The amount of the tax credit for each eligible ~~service~~  
32 station retail motor fuel site is two and one-half cents  
33 multiplied by the total number of gallons of ethanol blended  
34 gasoline sold and dispensed through all ~~metered~~ motor fuel  
35 pumps located at that ~~service-station~~ retail motor fuel site

1 during the tax year in excess of sixty percent of all gasoline  
2 sold and dispensed through metered motor fuel pumps at that  
3 service-station retail motor fuel site during the tax year.

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

7 (a) An ethanol promotion tax credit as provided in section  
8 422.11N or this section.

9 (b) An E-85 promotion tax credit as provided in section  
10 422.11O or this section for the same gallons of ethanol  
11 blended gasoline.

12 Sec. 33. Section 422.33, subsection 11, Code Supplement  
13 2005, is amended by adding the following new paragraph:

14 NEW PARAGRAPH. e. This subsection is repealed on January  
15 1, 2007.

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

18 NEW SUBSECTION. 11A. The taxes imposed under this  
19 division shall be reduced by an ethanol promotion tax credit  
20 for each tax year that the taxpayer is eligible to claim the  
21 tax credit under this subsection.

22 a. The taxpayer shall claim the tax credit in the same  
23 manner as provided in section 422.11N. The taxpayer may claim  
24 the tax credit according to the same requirements, for the  
25 same amount, and calculated in the same manner, as provided  
26 for the ethanol promotion tax credit pursuant to section  
27 422.11N.

28 b. Any ethanol promotion tax credit which is in excess of  
29 the taxpayer's tax liability shall be refunded or may be shown  
30 on the taxpayer's final, completed return credited to the tax  
31 liability for the following tax year in the same manner as  
32 provided in section 422.11N.

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

34 NEW SUBSECTION. 11B. The taxes imposed under this  
35 division shall be reduced by an E-85 gasoline promotion tax

1 credit for each tax year that the taxpayer is eligible to  
2 claim the tax credit under this subsection.

3 a. The taxpayer shall claim the tax credit in the same  
4 manner as provided in section 422.110. The taxpayer may claim  
5 the tax credit according to the same requirements, for the  
6 same amount, and calculated in the same manner, as provided  
7 for the E-85 gasoline promotion tax credit pursuant to section  
8 422.110.

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

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

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

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

21 a. The taxpayer may claim the biodiesel blended fuel tax  
22 credit according to the same requirements, for the same  
23 amount, and calculated in the same manner, as provided for the  
24 biodiesel blended fuel tax credit pursuant to section 422.11P.

25 b. Any biodiesel blended fuel tax credit which is in  
26 excess of the taxpayer's tax liability shall be refunded or  
27 may be shown on the taxpayer's final, completed return  
28 credited to the tax liability for the following tax year in  
29 the same manner as provided in section 422.11P.

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

31 Sec. 36. RETROACTIVE APPLICABILITY DATE. Sections  
32 422.11N, 422.11O, and 422.11P, as enacted in this Act, and  
33 section 422.33, subsections 11A, 11B, and 11C, as enacted in  
34 this Act, apply retroactively to tax years beginning on or  
35 after January 1, 2006.

1     Sec. 37. TAX CREDIT AVAILABILITY.

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

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

30     3. For a retail dealer who may claim an E-85 gasoline  
31 promotion tax credit under section 422.11O or 422.33,  
32 subsection 11B, as enacted in this Act, in calendar year 2019  
33 and whose tax year ends prior to December 31, 2019, the retail  
34 dealer may continue to claim the tax credit in the retail  
35 dealer's following tax year. In that case, the tax credit

1 shall be calculated in the same manner as provided in section  
2 422.110 or 422.33, subsection 11B, as enacted in this Act, for  
3 the remaining period beginning on the first day of the retail  
4 dealer's new tax year until December 31, 2019. For that  
5 remaining period, the tax credit shall be calculated in the  
6 same manner as a retail dealer whose tax year began on the  
7 previous January 1 and who is calculating the tax credit on  
8 December 31, 2019.

9 4. For a retail dealer who may claim a biodiesel blended  
10 fuel tax credit under section 422.11P or 422.33, subsection  
11 11C, as enacted in this Act, in calendar year 2006 and whose  
12 tax year ends before December 31, 2006, the retail dealer may  
13 claim the tax credit during the period beginning January 1,  
14 2006, and ending on the last day of the retail dealer's tax  
15 year, if of the total gallons of diesel fuel that the retail  
16 dealer sells and dispenses through all motor fuel pumps during  
17 that period, fifty percent or more is biodiesel blended fuel  
18 which meets the requirements of section 422.11P or 422.33,  
19 subsection 11C, as enacted in this Act.

20 5. For a retail dealer who may claim a biodiesel blended  
21 fuel tax credit under section 422.11P or 422.33, subsection  
22 11C, as enacted in this Act, in calendar year 2011 and whose  
23 tax year ends prior to December 31, 2011, the retail dealer  
24 may continue to claim the tax credit in the retail dealer's  
25 following tax year. In that case, the tax credit shall be  
26 calculated in the same manner as provided in section 422.11P  
27 or 422.33, subsection 11C, as enacted in this Act, for the  
28 remaining period beginning on the first day of the retail  
29 dealer's new tax year until December 31, 2011. For that  
30 remaining period, the tax credit shall be calculated in the  
31 same manner as a retail dealer whose tax year began on the  
32 previous January 1 and who is calculating the tax credit on  
33 December 31, 2011.

34  
35

DIVISION IV  
PETROLEUM REPLACEMENT INITIATIVE

1 Sec. 38. Section 452A.2, subsection 2, Code Supplement  
2 2005, is amended by striking the subsection and inserting in  
3 lieu thereof the following:

4 2. "Biofuel" means the same as defined in section 214A.1.

5 Sec. 39. Section 452A.2, Code Supplement 2005, is amended  
6 by adding the following new subsections:

7 NEW SUBSECTION. 1A. "Biodiesel" means the same as defined  
8 in section 214A.1.

9 NEW SUBSECTION. 1B. "Biodiesel blended fuel" means the  
10 same as defined in section 214A.1.

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

13 NEW SUBSECTION. 10A. "Ethanol" means the same as defined  
14 in section 214A.1.

15 NEW SUBSECTION. 13A. "Gasoline" means the same as defined  
16 in section 214A.1.

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

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

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

23 NEW SUBSECTION. 24B. "Retail motor fuel site" means the  
24 same as defined in section 214A.1.

25 Sec. 40. Section 452A.2, subsection 11, Code Supplement  
26 2005, is amended to read as follows:

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

30 Sec. 41. Section 452A.2, subsection 19, unnumbered  
31 paragraph 1, Code Supplement 2005, is amended to read as  
32 follows:

33 "Motor fuel" means ~~both~~ motor fuel as defined in section  
34 214A.1 and includes all of the following:

35 Sec. 42. Section 452A.3, subsection 1A, Code 2005, is

1 amended by striking the subsection and inserting in lieu  
2 thereof the following:

3 1A. Except as otherwise provided in this section and in  
4 this division, after June 30, 2007, this subsection shall  
5 apply to the excise tax imposed on each gallon of gasoline  
6 used for any purpose for the privilege of operating motor  
7 vehicles in this state. The amount of the excise tax is the  
8 applicable rate multiplied by each gallon of ethanol blended  
9 gasoline and nonethanol blended gasoline.

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

12 b. By March 1, following each key determination period as  
13 provided in section 452A.31, the department shall determine  
14 whether the biofuel percentage threshold has been met as  
15 provided in section 452A.34.

16 (1) If the biofuel threshold percentage has been met, the  
17 applicable rate of the excise tax is the base rate as provided  
18 in paragraph "a".

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

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

22 (i) Multiply the biofuel threshold disparity factor for  
23 that key determination period as provided in section 452A.34  
24 by two cents to obtain the resulting product.

25 (ii) Add the resulting product to the base rate as if the  
26 biofuel threshold percentage had been met as provided in  
27 paragraph "a" to obtain the resulting sum which is the special  
28 rate.

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

30 (i) If the biofuel threshold percentage has not been met  
31 during the first key determination period, the special rate is  
32 effective beginning on July 1, 2010, and ending on June 30,  
33 2015.

34 (ii) If the biofuel threshold percentage has not been met  
35 during the second key determination period, the special rate

1 is effective beginning on July 1, 2015, and ending on June 30,  
2 2020.

3 (iii) If the biofuel threshold percentage has not been met  
4 during the third key determination period, the special rate is  
5 effective beginning on July 1, 2020, and ending on June 30,  
6 2025.

7 (iv) If the biofuel threshold percentage has not been met  
8 during the fourth key determination period, the special rate  
9 is effective on and after July 1, 2025.

10 Sec. 43. NEW SECTION. 452A.31 SPECIAL TERMS.

11 For purposes of this division, all of the following shall  
12 apply:

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

15 b. A key determination period and key determination date  
16 are as follows:

17 (1) For the first key determination period, the period  
18 beginning January 1 and ending December 31, 2009, and for the  
19 first key determination date, March 1, 2010.

20 (2) For the second key determination period, the period  
21 beginning January 1 and ending December 31, 2014, and for the  
22 second key determination date, March 1, 2015.

23 (3) For the third key determination period, the period  
24 beginning January 1 and ending December 31, 2019, and for the  
25 third key determination date, March 1, 2020.

26 (4) For the fourth key determination period, the period  
27 beginning January 1 and ending December 31, 2024, and for the  
28 fourth key determination date, March 1, 2025.

29 2. a. A retail dealer's total gasoline gallonage is the  
30 total number of gallons of gasoline, which the retail dealer  
31 sells and dispenses from all motor fuel pumps operated by the  
32 retail dealer in this state during a twelve-month period  
33 beginning January 1 and ending December 31. The retail  
34 dealer's total gasoline gallonage is divided into the  
35 following classifications:

1 (1) The total ethanol blended gasoline gallonage which is  
2 the retail dealer's total number of gallons of ethanol blended  
3 gasoline and which includes all of the following  
4 subclassifications:

5 (a) The total E-xx gasoline gallonage which is the total  
6 number of gallons of ethanol blended gasoline other than E-85  
7 gasoline.

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

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

12 b. A retail dealer's total ethanol gallonage is the total  
13 number of gallons of ethanol which is a component of ethanol  
14 blended gasoline which the retail dealer sells and dispenses  
15 from motor fuel pumps as provided in paragraph "a" during a  
16 twelve-month period beginning January 1 and ending December  
17 31.

18 3. a. A retail dealer's total diesel fuel gallonage is  
19 the total number of gallons of diesel fuel, which the retail  
20 dealer sells and dispenses from all motor fuel pumps operated  
21 by the retail dealer in this state during a twelve-month  
22 period beginning January 1 and ending December 31. The retail  
23 dealer's total diesel fuel gallonage is divided into the  
24 following classifications:

25 (1) The total biodiesel blended fuel gallonage which is  
26 the retail dealer's total number of gallons of biodiesel  
27 blended fuel.

28 (2) The total nonblended diesel fuel gallonage which is  
29 the total number of gallons of diesel fuel which is not  
30 biodiesel or biodiesel blended fuel.

31 b. A retail dealer's total biodiesel gallonage is the  
32 total number of gallons of biodiesel which may or may not be a  
33 component of biodiesel blended fuel, and which the retail  
34 dealer sells and dispenses from motor fuel pumps as provided  
35 in paragraph "a" during a twelve-month period beginning

1 January 1 and ending December 31.

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

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

12 subclassifications:

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

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

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

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

26 5. a. The aggregate diesel fuel gallonage is the total  
27 number of gallons of diesel fuel, which all retail dealers  
28 sell and dispense from all motor fuel pumps operated by the  
29 retail dealers in this state during a twelve-month period  
30 beginning January 1 and ending December 31. The aggregate  
31 total diesel fuel gallonage is divided into the following  
32 classifications:

33 (1) The aggregate biodiesel blended fuel gallonage which  
34 is the aggregate number of gallons of biodiesel blended fuel.

35 (2) The aggregate nonblended diesel fuel gallonage which

1 is the aggregate number of gallons of diesel fuel which is not  
2 biodiesel or biodiesel blended fuel.

3 b. The aggregate biodiesel gallonage is the total number  
4 of gallons of biodiesel which may or may not be a component of  
5 biodiesel blended fuel, and which all retail dealers sell and  
6 dispense from motor fuel pumps as provided in paragraph "a"  
7 during a twelve-month period beginning January 1 and ending  
8 December 31.

9 6. a. The aggregate ethanol distribution percentage is  
10 the aggregate ethanol gallonage expressed as a percentage of  
11 the aggregate gasoline gallonage calculated for a twelve-  
12 month period beginning January 1 and ending December 31.

13 b. The aggregate per gallon distribution percentage which  
14 is the aggregate ethanol blended gasoline gallonage expressed  
15 as a percentage of the aggregate gasoline gallonage.

16 7. a. The aggregate biodiesel distribution percentage is  
17 the aggregate biodiesel gallonage expressed as a percentage of  
18 the aggregate diesel fuel gallonage calculated for a twelve-  
19 month period beginning January 1 and ending December 31.

20 b. The aggregate per gallon distribution percentage is the  
21 aggregate biodiesel blended fuel gallonage expressed as a  
22 percentage of the aggregate diesel fuel gallonage.

23 8. The aggregate biofuel distribution percentage is the  
24 sum of the aggregate ethanol distribution percentage plus the  
25 aggregate biodiesel distribution percentage expressed as a  
26 percentage of the sum of the aggregate gasoline gallonage plus  
27 the aggregate diesel fuel gallonage.

28 9. a. The biofuel threshold percentage is the aggregate  
29 biofuel distribution percentage required to be met during a  
30 key determination period as provided in section 452A.34.

31 b. The biofuel threshold percentage disparity is a  
32 positive percentage difference obtained by taking the minuend  
33 which is the aggregate biofuel distribution percentage and  
34 subtracting from it the subtrahend which is the biofuel  
35 threshold percentage, as calculated for a key determination

1 period as provided in section 452A.34.

2 c. The biofuel threshold disparity factor is the biofuel  
3 threshold percentage disparity expressed as a positive number  
4 rounded to the nearest tenth of a whole number.

5 Sec. 44. NEW SECTION. 452A.32 SCHEDULE FOR AVERAGING  
6 BIOFUEL CONTENT IN MOTOR FUEL.

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

16 2. The department shall establish a schedule listing the  
17 average amount of biodiesel contained in biodiesel blended  
18 fuel as defined in section 214A.1, for use by a retail dealer  
19 in calculating the retail dealer's total biodiesel gallonage,  
20 as provided in section 452A.31. In establishing the schedule,  
21 the department shall assume that a retail dealer begins  
22 selling and dispensing biodiesel blended fuel from a motor  
23 fuel pump on the first day of a month and ceases selling and  
24 distributing biodiesel blended fuel on the last day of a  
25 month.

26 Sec. 45. NEW SECTION. 452A.33 REPORTING REQUIREMENTS.

27 1. a. Each retail dealer shall report its total motor  
28 fuel gallonage for a determination period as follows:

29 (1) Its total gasoline gallonage and its total ethanol  
30 gallonage, including for each classification and  
31 subclassification as provided in section 452A.31.

32 (2) Its total diesel fuel gallonage and its total  
33 biodiesel gallonage, including for each classification and  
34 subclassification as provided in section 452A.31.

35 b. The retail dealer shall prepare and submit the report

1 in a manner and according to procedures required by the  
2 department. The department may require that retail dealers  
3 report to the department on an annual, quarterly, or monthly  
4 basis.

5 2. On or before February 1 the department shall deliver a  
6 report to the governor and the legislative services agency.  
7 The report shall compile information reported by retail  
8 dealers to the department as provided in this section and  
9 shall at least include all of the following:

10 a. (1) The aggregate gasoline gallonage for the previous  
11 determination period, including for all classifications and  
12 subclassifications as provided in section 452A.31.

13 (2) The aggregate diesel fuel gallonage for the previous  
14 determination period, including for all classifications and  
15 subclassifications as provided in section 452A.31.

16 b. (1) The aggregate ethanol distribution percentage for  
17 the previous determination period.

18 (2) The aggregate biodiesel distribution percentage for  
19 the previous determination period.

20 c. (1) The projected aggregate gasoline gallonage, the  
21 aggregate ethanol gallonage, and the projected aggregate  
22 ethanol distribution percentage, for each future key  
23 determination period as provided in section 452A.34.

24 (2) The projected aggregate diesel fuel gallonage, the  
25 projected aggregate biodiesel gallonage, and the projected  
26 aggregate biodiesel distribution percentage, for each future  
27 key determination period as provided in section 452A.34.

28 (3) The projected aggregate biofuel gallonage and the  
29 projected aggregate biofuel distribution percentage, for each  
30 future key determination period as provided in section  
31 452A.34.

32 d. The biofuel threshold percentage required for the next  
33 key determination period as provided in section 452A.34 and  
34 any projected biofuel threshold percentage disparity,  
35 including the amount of additional biofuel required to be sold

1 and dispensed from all motor fuel pumps located at all retail  
2 motor fuel sites in this state in order to meet the next  
3 biofuel threshold percentage.

4 3. On or before February 1 of each year, the state  
5 department of transportation shall deliver a report to the  
6 governor and the legislative services agency providing  
7 information regarding flexible fuel vehicles registered in  
8 this state during the previous determination period. The  
9 information shall state all of the following:

10 a. The aggregate number of flexible fuel vehicles.

11 b. Of the aggregate number of flexible fuel vehicles, all  
12 of the following:

13 (1) The number of flexible fuel vehicles according to the  
14 year of manufacture.

15 (2) The number of passenger vehicles and the number of  
16 passenger vehicles according to the year of manufacture.

17 (3) The number of light pickup trucks and the number of  
18 light pickup trucks according to the year of manufacture.

19 Sec. 46. NEW SECTION. 452A.34 BIOFUEL THRESHOLD  
20 PERCENTAGES.

21 1. The department shall determine whether a biofuel  
22 threshold percentage has been met on the following key  
23 determination dates:

24 a. On March 1, 2010, the department must determine that  
25 the aggregate distribution percentage was at least ten percent  
26 in order to meet the first biofuel threshold percentage for  
27 the key determination period beginning on January 1, 2009, and  
28 ending December 31, 2009.

29 b. On March 1, 2015, the department must determine that  
30 the aggregate distribution percentage was at least fifteen  
31 percent in order to meet the second biofuel threshold  
32 percentage for the key determination period beginning on  
33 January 1, 2014, and ending December 31, 2014.

34 c. On March 1, 2020, the department must determine that  
35 the aggregate distribution percentage was at least twenty

1 percent in order to meet the third biofuel threshold  
2 percentage for the key determination period beginning on  
3 January 1, 2019, and ending December 31, 2019.

4 d. On March 1, 2025, the department must determine that  
5 the aggregate distribution percentage was at least twenty-five  
6 percent in order to meet the fourth biofuel threshold  
7 percentage for the key determination period beginning on  
8 January 1, 2024, and ending December 31, 2024.

9 2. If on a key determination date, a biofuel threshold  
10 percentage has not been met, the department shall calculate  
11 the biofuel threshold percentage disparity and the resulting  
12 biofuel threshold disparity factor as provided in section  
13 452A.31 which shall be used to determine the special rate of  
14 the excise tax imposed on each gallon of nonethanol blended  
15 gasoline as provided in section 452A.3.

16 DIVISION V

17 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

18 Sec. 47. Section 8A.362, subsection 3, Code 2005, is  
19 amended to read as follows:

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

1 reports and keep a cost history for each motor vehicle and the  
2 costs shall be reduced to a cost-per-mile basis for each motor  
3 vehicle. The director shall call to the attention of an  
4 elected official or the head of any state agency to which a  
5 motor vehicle has been assigned any evidence of the  
6 mishandling or misuse of a state-owned motor vehicle which is  
7 called to the director's attention.

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

21 Sec. 48. Section 8A.362, subsection 5, paragraph a,  
22 subparagraphs (1) and (2), Code 2005, are amended to read as  
23 follows:

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

27 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
28 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section  
29 214A.1. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume~~  
30 ~~must-be-processed-soybean-oil~~.

31 Sec. 49. Section 216B.3, subsection 16, paragraph a, Code  
32 2005, is amended to read as follows:

33 a. A motor vehicle purchased by the commission shall not  
34 operate on gasoline other than ethanol blended gasoline  
35 ~~blended-with-at-least-ten-percent-ethanol~~. A state issued

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

10 Sec. 50. Section 216B.3, subsection 16, paragraph b,  
11 subparagraph (1), subparagraph subdivisions (a) and (b), Code  
12 2005, are amended to read as follows:

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

16 (b) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
17 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section  
18 214A.1. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume~~  
19 ~~must-be-processed-soybean-oil.~~

20 Sec. 51. Section 260C.19A, subsection 1, Code 2005, is  
21 amended to read as follows:

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

32 Sec. 52. Section 260C.19A, subsection 2, paragraph a,  
33 subparagraphs (1) and (2), Code 2005, are amended to read as  
34 follows:

35 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~

1 gasoline ~~and-at-least-eighty-five-percent-ethanol~~ as defined  
2 in section 214A.1.

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

7 Sec. 53. Section 262.25A, subsection 2, Code 2005, is  
8 amended to read as follows:

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

21 Sec. 54. Section 262.25A, subsection 3, paragraph a,  
22 subparagraphs (1) and (2), Code 2005, are amended to read as  
23 follows:

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

27 (2) A B-20 biodiesel blended fuel which-is-a-mixture-of  
28 processed-soybean-oil-and-diesel-fuel as defined in section  
29 214A.1. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~  
30 ~~processed-soybean-oil.~~

31 Sec. 55. Section 279.34, Code 2005, is amended to read as  
32 follows:

33 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
34 BLENDED ETHANOL BLENDED GASOLINE.

35 A motor vehicle purchased by or used under the direction of

1 the board of directors to provide services to a school  
2 corporation shall not, on or after January 1, 1993, operate on  
3 gasoline other than ethanol blended gasoline ~~blended-with-at~~  
4 ~~least-ten-percent-ethanol~~. The motor vehicle shall also be  
5 affixed with a brightly visible sticker which notifies the  
6 traveling public that the motor vehicle is being operated on  
7 ethanol blended gasoline ~~blended-with-ethanol~~. However, the  
8 sticker is not required to be affixed to an unmarked vehicle  
9 used for purposes of providing law enforcement or security.

10 Sec. 56. Section 307.21, subsection 4, paragraph d, Code  
11 2005, is amended to read as follows:

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

24 Sec. 57. Section 307.21, subsection 5, paragraph a,  
25 subparagraphs (1) and (2), Code 2005, are amended to read as  
26 follows:

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

30 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
31 ~~processed-soybean-oil-and-diesel-fuel~~ as defined in section  
32 214A.1. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~  
33 ~~processed-soybean-oil~~.

34 Sec. 58. Section 331.908, Code 2005, is amended to read as  
35 follows:

1 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
2 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

3 A motor vehicle purchased or used by a county to provide  
4 county services shall not ~~on or after January 17, 1993,~~  
5 operate on gasoline other than ethanol blended gasoline  
6 ~~blended with at least ten percent ethanol~~ as defined in  
7 section 214A.1. The motor vehicle shall also be affixed with  
8 a 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. 59. Section 364.20, Code 2005, is amended to read as  
14 follows:

15 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
16 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

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

27 Sec. 60. Section 904.312A, subsection 1, Code 2005, is  
28 amended to read as follows:

29 1. A motor vehicle purchased by the department shall not  
30 operate on gasoline other than ethanol blended gasoline  
31 ~~blended with at least ten percent ethanol~~ as defined in  
32 section 214A.1. A state-issued credit card used to purchase  
33 gasoline shall not be valid to purchase gasoline other than  
34 ethanol blended gasoline ~~blended with at least ten percent~~  
35 ~~ethanol~~. The motor vehicle shall also be affixed with a

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

6 Sec. 61. Section 904.312A, subsection 2, paragraph a,  
 7 subparagraphs (1) and (2), Code 2005, are amended to read as  
 8 follows:

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

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

16 DIVISION VI

17 COORDINATING PROVISIONS -- MISCELLANEOUS

18 Sec. 62. Section 15.401, Code Supplement 2005, is amended  
 19 to read as follows:

20 15.401 E-85-BLENDED-GASOLINE RENEWABLE FUELS.

21 1. As used in this section, unless the context otherwise  
 22 requires, "biodiesel", "biodiesel blended fuel", "E-85  
 23 gasoline", and "retail motor fuel site" mean the same as  
 24 defined in section 214A.1.

25 2. The department shall provide a cost-share program for  
 26 financial incentives for the installation or conversion of  
 27 infrastructure used by service-stations retail motor fuel  
 28 sites to do all of the following:

29 a. sell Sell and dispense E-85 blended gasoline and-for  
 30 the-installation-or-conversion-of.

31 b. Install or convert infrastructure required to establish  
 32 on-site and off-site terminal facilities that store biodiesel  
 33 or biodiesel blended fuel for distribution to service-stations  
 34 retail motor fuel sites.

35 3. The department shall provide for an addition of at

1 least thirty new or converted E-85 gasoline retail outlets and  
2 four new or converted on-site or off-site terminal facilities  
3 with a maximum expenditure of three hundred twenty-five  
4 thousand dollars per year for the fiscal period beginning July  
5 1, 2005, and ending June 30, 2008. The department may provide  
6 for the marketing of these products in conjunction with this  
7 infrastructure program.

8 Sec. 63. Section 159A.2, Code 2005, is amended by adding  
9 the following new subsections:

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

12 NEW SUBSECTION. 3A. "Department" means the department of  
13 agriculture and land stewardship.

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

16 Sec. 64. Section 159A.2, subsection 6, Code 2005, is  
17 amended by striking the subsection and inserting in lieu  
18 thereof the following:

19 6. "Renewable fuel" means the same as defined in section  
20 214A.1.

21 Sec. 65. Section 159A.2, subsection 8, Code 2005, is  
22 amended by striking the subsection.

23 Sec. 66. Section 159A.3, subsection 3, Code 2005, is  
24 amended to read as follows:

25 3. a. A chief purpose of the office is to further the  
26 production and consumption of ethanol ~~fuel~~ blended gasoline in  
27 this state. The office shall be the primary state agency  
28 charged with the responsibility to promote public consumption  
29 of ethanol ~~fuel~~ blended gasoline.

30 b. The office shall promote the production and consumption  
31 of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this  
32 state.

33 Sec. 67. Section 214A.19, subsection 1, unnumbered  
34 paragraph 1, Code 2005, is amended to read as follows:

35 The department of natural resources, conditioned upon the

1 availability of funds, is authorized to award demonstration  
2 grants to persons who purchase vehicles which operate on  
3 alternative fuels, including but not limited to, high-blend  
4 ethanol E-85 gasoline, biodiesel, compressed natural gas,  
5 electricity, solar energy, or hydrogen. A grant shall be for  
6 the purpose of conducting research connected with the fuel or  
7 the vehicle, and not for the purchase of the vehicle itself,  
8 except that the money may be used for the purchase of the  
9 vehicle if all of the following conditions are satisfied:

10 Sec. 68. Section 307.20, Code 2005, is amended to read as  
11 follows:

12 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING  
13 FUND.

14 1. A biodiesel and biodiesel blended fuel revolving fund  
15 is created in the state treasury. The biodiesel and biodiesel  
16 blended fuel revolving fund shall be administered by the  
17 department and shall consist of moneys received from the sale  
18 of EPAct credits banked by the department on April 19, 2001,  
19 moneys appropriated by the general assembly, and any other  
20 moneys obtained or accepted by the department for deposit in  
21 the fund. Moneys in the fund are appropriated to and shall be  
22 used by the department for the purchase of biodiesel and  
23 biodiesel blended fuel for use in department vehicles. The  
24 department shall submit an annual report not later than  
25 January 31 to the members of the general assembly and the  
26 legislative services agency, of the expenditures made from the  
27 fund during the preceding fiscal year. Section 8.33 does not  
28 apply to any moneys in the fund and, notwithstanding section  
29 12C.7, subsection 2, earnings or interest on moneys deposited  
30 in the fund shall be credited to the fund.

31 2. A department departmental motor vehicle operating on  
32 using biodiesel or biodiesel blended fuel shall be affixed  
33 with a brightly visible sticker that notifies the traveling  
34 public that the motor vehicle uses biodiesel blended fuel.

35 3. For purposes of this section the following definitions

1 apply:

2 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"  
3 ~~means-soydiesel-fuel~~ mean the same as defined in section  
4 ~~159A-2~~ 214A.1.

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

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 VII

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, are amended by  
12 striking from the provisions the words "motor vehicle fuel"  
13 and inserting the following: "motor fuel".

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

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

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

25                                   EXPLANATION

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

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

35     In 1994, the general assembly enacted H.F. 2337 (1994 Iowa

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

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

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

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

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

5 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

6 GOAL. This division establishes a goal that by January 1,  
7 2025, ethanol and biodiesel (biofuel) is to replace 25 percent  
8 of all petroleum used in the formulation of gasoline.

9 MOTOR FUEL STANDARDS. The division amends Code chapter  
10 214A, which provides authority to the department of  
11 agriculture and land stewardship to regulate motor fuel. It  
12 provides for a number of definitions that apply to provisions  
13 in Code chapter 214A and other Code chapters by reference.  
14 The definitions include those for "biodiesel", "biodiesel  
15 blended fuel", "biofuel", "dealer", "diesel fuel", "E-85  
16 gasoline", "ethanol", "ethanol blended gasoline", "gasoline",  
17 "renewable fuel", and "retail motor fuel site". The division  
18 moves substantive language referring to kerosene from the  
19 definitional section to a section that specifically regulates  
20 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 between supporting infrastructure  
28 relating to the storage and dispensing of E-85 gasoline and  
29 biodiesel or biodiesel blended fuel at retail motor fuel sites  
30 and biodiesel at terminals. The fund and programs are  
31 controlled by a renewable fuel infrastructure board which  
32 includes members representing agricultural producers,  
33 petroleum marketers, contractors, insurers, and the renewable  
34 fuels industry. The purpose of the renewable fuel  
35 infrastructure program for retail motor fuel sites is to

1 provide cost-share financial assistance to retail motor fuel  
2 sites installing, replacing, or converting motor fuel storage  
3 and dispensing infrastructure designed and used exclusively  
4 for E-85 gasoline, biodiesel, or biodiesel blended fuel. The  
5 purpose of the renewable fuel infrastructure program for  
6 biodiesel terminal facilities is to provide cost-share  
7 financial assistance to support infrastructure designed and  
8 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  
17 ethanol blended gasoline is eligible to receive a tax credit.  
18 The division provides that a retail dealer cannot claim this  
19 tax credit if the retail dealer claims an ethanol promotion  
20 tax credit as provided in this division. The retail dealer  
21 also cannot claim the tax credit on the same gallons of  
22 ethanol that is claimed under an E-85 gasoline promotion tax  
23 credit as provided in the division. This tax credit is  
24 repealed on 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 a biofuel percentage threshold  
6 has been met. The thresholds are as follows: (1) the  
7 aggregate distribution must be at least 10 percent biofuel 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 biofuel 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 biofuel 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 biofuel for  
16 the key determination period beginning January 1, 2024, and  
17 ending December 31, 2024.

18 EXCISE TAXES. According to the division, if a biofuel  
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 a  
21 biofuel 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 a  
25 biofuel threshold disparity factor. The factor is determined  
26 by calculating the difference between the aggregate gallons of  
27 biofuel sold and the number of aggregate gallons of biofuel  
28 which were required to be sold to meet the threshold during a  
29 key determination period.

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

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

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

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

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

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HOUSE FILE 2754

H-8355

1 Amend House File 2754 as follows:

2 1. Page 7, by striking line 26 and inserting the  
3 following:

4 "RENEWABLE FUEL AND ENERGY"

5 2. Page 7, by inserting after line 26 the  
6 following:

7 "Sec. \_\_\_\_ . Section 15.103, subsection 1, paragraph  
8 b, subparagraph (7), Code Supplement 2005, is amended  
9 to read as follows:

10 (7) Economics or alternative and renewable energy  
11 including the alternative and renewable energy sectors  
12 listed in section 476.42, subsection 1, paragraph "a".

13 Sec. \_\_\_\_ . Section 15E.61, unnumbered paragraph 1,  
14 Code 2005, is amended to read as follows:

15 The general assembly finds the following:  
16 Fundamental changes have occurred in national and  
17 international financial markets and in the financial  
18 markets of this state. A critical shortage of seed  
19 and venture capital resources exists in the state, and  
20 such shortage is impairing the growth of commerce in  
21 the state. A need exists to increase the availability  
22 of venture equity capital for emerging, expanding, and  
23 restructuring enterprises in Iowa, including, without  
24 limitation, enterprises in the life sciences, advanced  
25 manufacturing, information technology, alternative and  
26 renewable energy including the alternative and  
27 renewable energy sectors listed in section 476.42,  
28 subsection 1, paragraph "a", and value-added  
29 agriculture areas. Such investments will create jobs  
30 for Iowans and will help to diversify the state's  
31 economic base.

32 Sec. \_\_\_\_ . Section 15E.223, subsection 4, Code  
33 2005, is amended to read as follows:

34 4. "Targeted industry business" means an existing  
35 or proposed business entity, including an emerging  
36 small business or qualified business which is operated  
37 for profit and which has a primary business purpose of  
38 doing business in at least one of the targeted  
39 industries designated by the department which include  
40 life sciences, software and information technology,  
41 advanced manufacturing, value-added agriculture,  
42 alternative and renewable energy including the  
43 alternative and renewable energy sectors listed in  
44 section 476.42, subsection 1, paragraph "a", and any  
45 other industry designated as a targeted industry by  
46 the department.

47 Sec. \_\_\_\_ . Section 15E.231, subsection 1, Code  
48 Supplement 2005, is amended by adding the following  
49 new paragraph:

50 NEW PARAGRAPH. h. Development of the alternative

H-8355

1 and renewable energy sector.

2 Sec. \_\_\_\_\_. Section 15E.351, subsection 1, Code  
3 Supplement 2005, is amended to read as follows:

4 1. The department shall establish and administer a  
5 business accelerator program to provide financial  
6 assistance for the establishment and operation of a  
7 business accelerator for technology-based, value-added  
8 agricultural, information solutions, alternative and  
9 renewable energy including the alternative and  
10 renewable energy sectors listed in section 476.42,  
11 subsection 1, paragraph "a", or advanced manufacturing  
12 start-up businesses or for a satellite of an existing  
13 business accelerator. The program shall be designed  
14 to foster the accelerated growth of new and existing  
15 businesses through the provision of technical  
16 assistance. The department shall use moneys  
17 appropriated to the department from the grow Iowa  
18 values fund pursuant to section 15G.111, subsection 1,  
19 subject to the approval of the economic development  
20 board, to provide financial assistance under this  
21 section.

22 Sec. \_\_\_\_\_. Section 260C.18A, subsection 2,  
23 unnumbered paragraph 1, Code Supplement 2005, is  
24 amended to read as follows:

25 Moneys deposited in the funds and disbursed to  
26 community colleges for a fiscal year shall be expended  
27 for the following purposes, provided seventy percent  
28 of the moneys shall be used on projects in the areas  
29 of advanced manufacturing, information technology and  
30 insurance, alternative and renewable energy including  
31 the alternative and renewable energy sectors listed in  
32 section 476.42, subsection 1, paragraph "a", and life  
33 sciences which include the areas of biotechnology,  
34 health care technology, and nursing care technology:"

35 3. Title page, by striking lines 1 through 3 and  
36 inserting the following: "An Act relating to  
37 renewable fuel and energy, providing incentives for".

38 4. By renumbering as necessary.

By WISE of Lee  
HOFFMAN of Crawford

HOUSE FILE 2754

H-8377

- 1 Amend House File 2754 as follows:
- 2 1. Page 2, by striking lines 28 through 33.
- 3 2. Page 35, line 6, by striking the word "total".
- 4 3. Page 35, line 18, by striking the word
- 5 "total".
- 6 4. Page 35, line 19, by striking the word
- 7 "total".
- 8 5. Page 35, line 31, by striking the word
- 9 "total".
- 10 6. Page 36, line 24, by striking the words
- 11 "distribution percentage" and inserting the following:
- 12 "gallorage".
- 13 7. Page 36, line 25, by striking the words
- 14 "distribution percentage" and inserting the following:
- 15 "gallorage".
- 16 8. Page 38, by inserting after line 4 the
- 17 following:
- 18 "\_\_\_\_. The information included in a report
- 19 submitted by a retail dealer is deemed to be a trade
- 20 secret, protected as a confidential record pursuant to
- 21 section 22.7."
- 22 9. Page 39, by inserting after line 3 the
- 23 following:
- 24 "\_\_\_\_. The report shall not provide information
- 25 regarding motor fuel or biofuel which is sold and
- 26 dispensed by an individual retail dealer or at a
- 27 particular retail motor fuel site. The report shall
- 28 not include a trade secret protected as a confidential
- 29 record pursuant to section 22.7."
- 30 10. Page 39, line 25, by inserting after the word
- 31 "aggregate" the following: "biofuel".
- 32 11. Page 39, line 30, by inserting after the word
- 33 "aggregate" the following: "biofuel".
- 34 12. Page 39, line 35, by inserting after the word
- 35 "aggregate" the following: "biofuel".
- 36 13. Page 40, line 5, by inserting after the word
- 37 "aggregate" the following: "biofuel".
- 38 14. Page 41, lines 25 and 26, by striking the
- 39 words and figure "as defined in section 214A.1" and
- 40 inserting the following: "as provided in section
- 41 214A.2".
- 42 15. Page 41, lines 28 and 29, by striking the
- 43 words and figure "as defined in section 214A.1" and
- 44 inserting the following: "as provided in section
- 45 214A.2".
- 46 16. Page 41, line 35, by inserting after the word
- 47 "~~ethanol~~" the following: "as defined in section
- 48 214A.1".
- 49 17. Page 42, lines 14 and 15, by striking the
- 50 words and figure "as defined in section 214A.1" and

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- 1 inserting the following: "as provided in section  
2 214A.2".
- 3 18. Page 42, lines 17 and 18, by striking the  
4 words and figure "as defined in section 214A.1" and  
5 inserting the following: "as provided in section  
6 214A.2".
- 7 19. Page 43, lines 1 and 2, by striking the words  
8 and figure "as defined in section 214A.1" and  
9 inserting the following: "as provided in section  
10 214A.2".
- 11 20. Page 43, lines 4 and 5, by striking the words  
12 and figure "as defined in section 214A.1" and  
13 inserting the following: "as provided in section  
14 214A.2".
- 15 21. Page 43, lines 10 and 11, by striking the  
16 words "gasoline blended with at least ten percent  
17 ethanol" and inserting the following: "ethanol  
18 blended gasoline blended with at least ten percent  
19 ethanol as defined in section 214A.1, unless under  
20 emergency circumstances".
- 21 22. Page 43, line 14, by striking the words and  
22 figure "as defined in section 214A.1" and inserting  
23 the following: "if commercially available".
- 24 23. Page 43, lines 25 and 26, by striking the  
25 words and figure "as defined in section 214A.1" and  
26 inserting the following: "as provided in section  
27 214A.2".
- 28 24. Page 43, lines 28 and 29, by striking the  
29 words and figure "as defined in section 214A.1" and  
30 inserting the following: "as provided in section  
31 214A.2".
- 32 25. Page 44, line 4, by inserting after the word  
33 "~~ethanol~~" the following: "as defined in section  
34 214A.1".
- 35 26. Page 44, lines 28 and 29, by striking the  
36 words and figure "as defined in section 214A.1" and  
37 inserting the following: "as provided in section  
38 214A.2".
- 39 27. Page 44, lines 31 and 32, by striking the  
40 words and figure "as defined in section 214A.1" and  
41 inserting the following: "as provided in section  
42 214A.2".
- 43 28. Page 46, lines 10 and 11, by striking the  
44 words and figure "as defined in section 214A.1" and  
45 inserting the following: "as provided in section  
46 214A.2".
- 47 29. Page 46, lines 13 and 14, by striking the  
48 words and figure "as defined in section 214A.1" and  
49 inserting the following: "as provided in section  
50 214A.2".

- 1 30. By renumbering as necessary.

By S. OLSON of Clinton

HOUSE FILE 2754

H-8372

1 Amend House File 2754 as follows:

2 1. Page 5, by inserting after line 12, the  
3 following:

4 "Sec. \_\_\_\_ Section 214A.2, Code 2005, is amended  
5 by adding the following new subsection:

6 NEW SUBSECTION. 2B. a. Except as provided in  
7 paragraph "b", a retail dealer shall not advertise for  
8 sale, sell, or dispense gasoline other than ethanol  
9 blended gasoline in this state.

10 b. A retail dealer may advertise for sale, sell,  
11 or dispense gasoline, other than ethanol blended  
12 gasoline, in this state if both of the following  
13 apply:

14 (1) The gasoline is used to operate a motor which  
15 powers any one of the following:

16 (a) An aircraft as defined in section 328.1.

17 (b) A motor vehicle used exclusively for motor  
18 sports, including on a raceway, if the motor vehicle  
19 cannot operate on a highway as provided in chapter 321  
20 or rules adopted by the state department of  
21 transportation.

22 (c) An antique vehicle registered under section  
23 321.115.

24 (d) A snowmobile as defined in section 321G.1.

25 (e) An all-terrain vehicle as defined in section  
26 321G.1.

27 (f) A watercraft as defined in section 462A.2.

28 (g) A lawnmower or other implement powered by a  
29 small motor.

30 (2) The retail dealer does not use more than one  
31 motor fuel pump located at a retail motor fuel site to  
32 sell and dispense the gasoline."

33 2. Page 7, by inserting after line 24 the  
34 following:

35 "Sec. \_\_\_\_ EFFECTIVE DATE. Section 214A.2,  
36 subsection 2B, as enacted in this Act, takes effect  
37 January 1, 2007."

38 3. Page 20, by striking lines 7 through 10, and  
39 inserting the following: "section, if the taxpayer  
40 claims an E-85 gasoline promotion tax credit as  
41 provided in".

42 4. By striking page 20, line 17, through page 22,  
43 line 29.

44 5. Page 24, by striking lines 9 through 13.

45 6. Page 24, line 14, by striking the word "b."  
46 and inserting the following: "5."

47 7. Page 27, by striking lines 6 through 9, and  
48 inserting the following: "subsection, if the taxpayer  
49 claims an E-85 promotion tax credit as provided in  
50 section".

H-8372

- 1 8. Page 27, line 17, by striking the word
- 2 "subsections" and inserting the following:
- 3 "subsection".
- 4 9. Page 27, by striking lines 18 through 33.
- 5 10. Page 28, by striking lines 32 and 33 and
- 6 inserting the following: "422.11O and 422.11P, as
- 7 enacted in this Act, and section 422.33, subsections
- 8 11B and 11C, as enacted in".
- 9 11. Page 29, by striking lines 16 through 29.
- 10 12. By striking page 30, line 34, through page
- 11 40, line 15.
- 12 13. Title page, line 5, by striking the words
- 13 "and excise taxes".
- 14 14. By renumbering as necessary.

By SHOULTZ of Black Hawk  
KUHN of Floyd

HOUSE FILE 2754

H-8399

1 Amend House File 2754 as follows:

2 1. By striking page 9, line 22, through page 10,  
3 line 22.

4 2. Page 11, by inserting after line 22 the  
5 following:

6 "Sec. \_\_\_\_ . EFFECTIVE DATE.

7 1. The sections of this Act amending sections  
8 323A.1 and 323A.2, being deemed of immediate  
9 importance, take effect upon enactment.

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

13 DIVISION

14 RENEWABLE FUEL INFRASTRUCTURE PROGRAMS

15 SUBCHAPTER II

16 RENEWABLE FUEL INFRASTRUCTURE

17 Sec. \_\_\_\_ . NEW SECTION. 15G.114 DEFINITIONS.

18 As used in this subchapter, unless the context  
19 otherwise requires:

20 1. "Biodiesel", "biodiesel blended fuel", "E-85  
21 gasoline", "gasoline", "motor fuel", "motor fuel  
22 pump", "retail dealer", and "retail motor fuel site"  
23 mean the same as defined in section 214A.1.

24 2. "Infrastructure board" means the renewable fuel  
25 infrastructure board as created in section 15G.115.

26 3. "Motor fuel storage and dispensing  
27 infrastructure" or "infrastructure" means a tank and  
28 motor fuel pumps necessary to keep and dispense motor  
29 fuel at a retail motor fuel site, including but not  
30 limited to all associated equipment, dispensers,  
31 pumps, pipes, hoses, tubes, lines, fittings, valves,  
32 filters, seals, and covers.

33 4. "Terminal" means a storage and distribution  
34 facility for motor fuel or a blend stock such as  
35 ethanol or biodiesel that is supplied to a motor  
36 vehicle, pipeline, or a marine vessel and from which  
37 the motor fuel or blend stock may be removed at a  
38 rack. "Terminal" does not include any of the  
39 following:

40 a. A retail motor fuel site.

41 b. A facility at which motor fuel or special fuel,  
42 or blend stocks are used in the manufacture of  
43 products other than motor fuel and from which no motor  
44 fuel or special fuel is removed.

45 5. "Terminal operator" means a person who has  
46 responsibility for, or physical control over, the  
47 operation of a terminal, including by ownership,  
48 contractual agreement, or appointment."

49 3. By striking page 11, line 23, through page 12,  
50 line 20.

H-8399



**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2754 - Renewable Fuel Incentive (LSB 5701 HZ)

Analyst: Jeff Robinson (Phone: [515] 281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))

Fiscal Note Version - New

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**Description**

House File 2754 creates three income tax credits related to renewable fuels, sunsets an existing ethanol income tax credit, and provides for a renewable fuel infrastructure grant program. The Bill also establishes renewable fuel percentage thresholds and provides for a contingent gas tax schedule in instances where the threshold is not achieved.

House File 2754 has the following direct fiscal impacts on State revenue and expenditures.

**State Income Tax Revenue:**

1. An income tax credit of five cents per gallon for each retail gallon of ethanol sold in the State from January 1, 2006, through December 31, 2025. From 2006 through 2010, the credit is available for each gallon. From 2011 through 2025, the credit is available for an amount less than the full gallons sold. For this credit, the term "ethanol" refers to the gallons of pure ethanol sold as components of any blend of gasoline.
2. An income tax credit for each gallon of E85 (a combination of petroleum gasoline and ethanol, where the ethanol percentage is between 70.0% and 85.0% of the combined product). The credit is equal to twenty-five cents per gallon beginning calendar year 2006, and declines to zero by calendar year 2020.
3. An income tax credit of three cents per gallon for retail biodiesel fuel sold in the State from January 1, 2006, through December 31, 2012. To qualify for the credit, a retailer's diesel sales for the tax year must be at least 50.0% biodiesel. If the 50.0% threshold is achieved, the retailer earns a tax credit of three cents per gallon for all gallons of biodiesel sold that tax year.
4. Sunsets the current 2.5 cents per gallon income tax credit for ethanol gallons sold in excess of 60.0% through an individual retail location.

**State Gasoline Tax Revenue** – The intent of the ethanol tax and infrastructure incentives in HF 2754 and HF 2759 (Renewable Fuels Infrastructure Bill) is to increase the gallons of ethanol consumed in gasoline. If E10 and E85 fuels deliver lower gas mileage than unblended gasoline, moving to a larger percentage of those fuels will increase the total number of gasoline gallons consumed. Since the gas tax is collected on a per-gallon basis, increasing the number of gallons will increase the yield of the gas tax, as long as the per-gallon tax rate is the same for E85, E10, and unblended gasoline.

**Appropriations for Petroleum Infrastructure** – House File 2754 creates a Renewable Fuels Infrastructure Fund to provide financial assistance to persons installing E85 and biodiesel dispensing equipment. House File 2759 (Renewable Fuels Infrastructure Appropriation Bill) appropriates \$2.0 million per year from the Iowa Values Fund for FY 2006, FY 2007, and FY 2008 to the Renewable Fuels Infrastructure Fund. Sixty-five percent of the appropriation is to be made available for E85 installations and thirty-five percent for biodiesel installations. House File 2759 also allows up to \$50,000 of the appropriation to be used each year by the Department of Natural Resources for administration.

For retail locations, the assistance shall be in the form of a grant equal to not more than 30.0% of the installation cost or \$30,000, whichever is lower. For biodiesel terminal facilities, the assistance is in the form of a cost share grant that shall not exceed the cost of the improvements.

**Administrative Costs** – The Bill will create additional duties for the Department of Natural Resources, Department of Agriculture and Land Stewardship, and the Department of Revenue. The majority of the administrative costs listed in Table 2 represent start up and personnel costs identified by the Department of Agriculture and Land Stewardship.

### Assumptions

#### Gasoline Related –

1. Under current law, gasoline sales will increase 1.0% per year through calendar year (CY) 2025.
2. Over the course of a year, E85 will average 79.0% ethanol content.
3. The per-gallon gas tax, including the 1.0-cent Underground Storage Tank Diminution Fee, is 21.0 cents per gallon, starting July 1, 2007. The diminution fee expires June 30, 2016. The tax rates are different for each product prior to July 1, 2007, but the difference does not impact the fiscal estimates.
4. The supply of vehicles able to operate on E85 gasoline (flex-fuel vehicles) will meet or exceed the available E85 fuel supply.
5. The average gas mileage achieved with E10 is 2.35% lower than unblended gasoline and the gas mileage achieved with E85 is 20.0% lower (a vehicle achieving 25.0 mpg on unblended will achieve 24.41 mpg on E10 and 20.00 mpg on E85).
6. The infrastructure and per-gallon tax incentives for ethanol sales will create sufficient retail incentive and consumer demand for E10 and E85 and the statewide total ethanol gallon percents will just equal the thresholds (key determination periods) as specified in the Bill.
7. Tax credits from sales for a calendar year are assumed to be redeemed in the next fiscal year (CY 2006 credits are redeemed FY 2007).
8. The projected taxable gallons sold in Iowa under current law as well as the projected gallons sold under these assumptions are provided in **Appendix A** at the end of this document.

#### Diesel Related –

1. Taxable diesel sales in CY 2005 totaled 648.4 million gallons.
2. Assume an additional 18.0% (116.7 million gallons) for non-taxable retail sales.
3. Diesel sales will increase at an average annual rate of 3.75%.
4. The miles per gallon achieved with diesel and B02 biodiesel are similar.
5. The infrastructure incentives in the Bill will be utilized and several terminals will be upgraded over the three years.
6. Significant investment in retail facility upgrades is not necessary for biodiesel.
7. At all price levels of biodiesel and diesel, the 3.0 cent per-gallon tax credit will produce B02 biodiesel prices lower than the comparable pure diesel price.
8. Tax credits from sales for a calendar year are assumed to be redeemed in the next fiscal year (CY 2006 credits are redeemed FY 2007).

9. The projected taxable gallons sold are provided in **Appendix B** at the end of this document.

### **Fiscal Impact**

The creation of three new renewable fuel income tax credits, along with the sunset of the current ethanol credit, is projected to reduce retailer's net income tax liability each year through FY 2018. The projections, by tax credit and by year, are provided in **Table 1**. The credits will also reduce local option income taxes owed by individuals subject to the tax to the extent that the retailers are limited liability companies (LLC) or other business forms where the profits are taxed through the owner's individual income tax return. The impact on local option income tax for schools cannot be determined, but will be minimal in FY 2007 and FY 2008.

	Current Ethanol Credit	New Ethanol Credit	E85 Credit	Biodiesel Credit	Net Income Tax Credit Change
FY 2007	\$6.80	-\$6.30	-\$0.20	-\$0.54	-\$0.24
FY 2008	8.80	-6.70	-1.70	-1.45	-1.05
FY 2009	9.90	-7.30	-4.00	-3.08	-4.48
FY 2010	10.50	-7.90	-6.10	-3.79	-7.29
FY 2011	11.10	-8.60	-4.30	-4.55	-6.35
FY 2012	11.60	-8.70	-6.10	-5.15	-8.35
FY 2013	12.20	-8.90	-7.30	-5.79	-9.79
FY 2014	12.80	-9.00	-8.10	0.00	-4.30
FY 2015	13.10	-9.20	-8.40	0.00	-4.50
FY 2016	13.40	-9.10	-8.10	0.00	-3.80
FY 2017	14.10	-9.00	-7.30	0.00	-2.20
FY 2018	14.70	-9.30	-6.30	0.00	-0.90
FY 2019	14.90	-9.30	-4.70	0.00	0.90
FY 2020	15.10	-9.30	-2.70	0.00	3.10
FY 2021	15.20	-9.60	0.00	0.00	5.60
FY 2022	15.40	-9.80	0.00	0.00	5.60
FY 2023	15.50	-10.00	0.00	0.00	5.50
FY 2024	15.60	-10.30	0.00	0.00	5.30
FY 2025	15.70	-10.20	0.00	0.00	5.50
FY 2026	15.80	-10.10	0.00	0.00	5.70
Total	\$262.2	-\$178.6	-\$75.3	-\$24.3	-\$16.0

The Bill will also have other impacts on State finances, and those impacts are provided in **Table 2**. The largest impact relates to an increase in Road Use Tax Fund revenue due to increased gas tax resulting from increased gasoline gallons sold.

	Gas Tax to Road Fund	HF 2759 - Renewable Fuels Infrast. Approp.	Administrative Expenses
FY 2007	\$0.00	-\$2.00	-\$0.95
FY 2008	-0.10	-2.00	-0.50
FY 2009	0.50	-2.00	-0.40
FY 2010	0.60	0.00	-0.30
FY 2011	0.70	0.00	-0.30
FY 2012	1.50	0.00	-0.30
FY 2013	2.00	0.00	-0.30
FY 2014	2.50	0.00	-0.30
FY 2015	3.20	0.00	-0.30
FY 2016	3.60	0.00	-0.30
FY 2017	4.00	0.00	-0.30
FY 2018	4.60	0.00	-0.30
FY 2019	5.20	0.00	-0.30
FY 2020	5.90	0.00	-0.30
FY 2021	6.80	0.00	-0.30
FY 2022	7.60	0.00	-0.30
FY 2023	8.40	0.00	-0.30
FY 2024	9.30	0.00	-0.30
FY 2025	9.90	0.00	-0.30
FY 2026	10.50	0.00	-0.30
Total	\$86.70	-\$6.00	-\$6.95

The fiscal impact for the two ethanol sales tax credits is based on the assumption that the tax credits and infrastructure assistance will be sufficient to induce retailers to convert or install E85 tanks, and that consumers will purchase E85 in quantities sufficient to meet the percentage goals in calendar years 2010, 2015, 2020, and 2025.

Assuming passage of the Bill, the combination of federal and State ethanol tax subsidies will be approximately \$0.70 per gallon for E85<sup>1</sup>. If the price of pure ethanol and the price of gasoline are similar, this level of subsidy will be more than sufficient to overcome the mileage disadvantage of E85. However, the futures price of ethanol and gasoline are currently not similar, with the April price of Ethanol currently \$0.65 above that of gasoline, with the differential not within \$0.35 per gallon until at least October.<sup>2</sup> This situation will hamper the development of an E85 retailer and consumer base until the price of ethanol falls or the price of gasoline rises (or a combination of the two).

If the price of pure ethanol is not low enough relative to pure gasoline, if the number of stations installing the necessary infrastructure is low, if the number of vehicles on Iowa roads is not sufficient, or if the consumer does not see an advantage in using E85 in their vehicle, the percentage thresholds will not be achieved. If that happens, the tax credits will not be utilized to the degree projected. In addition, the gas tax increases dictated in the Bill will generate additional revenue for the Road Use Tax Fund.

<sup>1</sup> This tax subsidy level assumes an average annual E85 ethanol content of 79.0%. The federal credit would equal \$0.41, the State E85 credit \$0.25, and the State ethanol credit \$0.04 per gallon.

<sup>2</sup> The ethanol futures price is from the Chicago Board of Trade. The gasoline futures price is from the New York Mercantile Exchange. Prices quoted March 24, 2006.

/s/ Holly M. Lyons

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March 27, 2006

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

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**Appendix A**

**HF 2754 - Renewable Fuels - Ethanol Volume Assumptions Without Bill**

In Millions of Gallons

Calendar Year	Unblended	Ethanol E10	Ethanol E85	Aviation	Total	Replacement Percentage
CY 2005	413.6	1,211.8	0.2	2.6	1,628.2	7.4%
CY 2006	391.4	1,249.7	0.7	2.6	1,644.4	7.6%
CY 2007	377.7	1,278.8	1.7	2.6	1,660.8	7.8%
CY 2008	358.0	1,308.3	8.4	2.7	1,677.4	8.2%
CY 2009	336.1	1,338.3	16.9	2.7	1,694.0	8.7%
CY 2010	313.8	1,368.8	25.7	2.7	1,711.0	9.2%
CY 2011	295.4	1,399.8	30.2	2.7	1,728.1	9.5%
CY 2012	272.1	1,431.3	39.3	2.8	1,745.5	10.0%
CY 2013	248.4	1,463.2	48.5	2.8	1,762.9	10.5%
CY 2014	242.0	1,477.8	57.9	2.8	1,780.5	10.9%
CY 2015	235.4	1,492.6	67.4	2.8	1,798.2	11.3%
CY 2016	210.5	1,525.7	77.2	2.9	1,816.3	11.8%
CY 2017	185.1	1,559.3	87.1	2.9	1,834.4	12.3%
CY 2018	187.0	1,565.6	97.3	2.9	1,852.8	12.8%
CY 2019	188.8	1,571.9	107.6	3.0	1,871.3	12.9%
CY 2020	190.7	1,578.2	118.1	3.0	1,890.0	13.3%
CY 2021	192.6	1,584.4	128.9	3.0	1,908.9	13.6%
CY 2022	184.9	1,600.3	139.8	3.1	1,928.1	14.0%
CY 2023	186.8	1,606.5	150.9	3.1	1,947.3	14.4%
CY 2024	188.6	1,612.8	162.3	3.1	1,966.8	14.7%
CY 2025	190.5	1,619.0	173.8	3.1	1,986.4	15.1%

**HF 2754 - Renewable Fuels - Ethanol Volume Assumptions With Bill**

In Millions of Gallons

Calendar Year	Unblended	Ethanol E10	Ethanol E85	Aviation	Total	Replacement Percentage
CY 2005	413.6	1,211.8	0.0	2.6	1,628.0	7.4%
CY 2006	391.0	1,249.7	1.0	2.6	1,644.3	7.6%
CY 2007	367.3	1,285.3	6.6	2.6	1,661.9	8.1%
CY 2008	349.4	1,307.4	20.2	2.7	1,679.6	8.7%
CY 2009	319.7	1,343.9	30.5	2.7	1,696.9	9.3%
CY 2010	297.3	1,371.0	43.5	2.7	1,714.6	10.0%
CY 2011	279.2	1,385.5	67.7	2.7	1,735.1	11.1%
CY 2012	256.1	1,404.8	91.3	2.8	1,754.9	12.1%
CY 2013	232.4	1,424.4	115.4	2.8	1,775.0	13.2%
CY 2014	208.1	1,444.6	140.1	2.8	1,795.7	14.2%
CY 2015	201.4	1,450.1	161.2	2.9	1,815.4	15.0%
CY 2016	176.0	1,474.6	181.7	2.9	1,835.3	15.9%
CY 2017	150.2	1,493.6	209.8	2.9	1,856.5	17.0%
CY 2018	151.9	1,486.2	236.6	3.0	1,877.7	17.9%
CY 2019	153.7	1,476.8	265.9	3.0	1,899.5	18.8%
CY 2020	155.6	1,462.0	301.8	3.0	1,922.5	20.0%
CY 2021	118.5	1,493.0	330.7	3.1	1,945.3	21.1%
CY 2022	110.1	1,490.9	364.1	3.1	1,968.1	22.2%
CY 2023	111.4	1,476.8	400.3	3.2	1,991.6	23.3%
CY 2024	112.6	1,469.2	429.0	3.2	2,014.0	24.1%
CY 2025	113.9	1,461.2	458.2	3.2	2,036.5	25.0%

**Appendix B**

**HF 2754 - Renewable Fuels - Biodiesel Calculations**

	Total Statewide Retail Diesel Gallons (Millions)	Statewide Biodiesel % of Total Retail Sales	Blended Biodiesel Gallons (Millions)	% Of Statewide Gallons Sold at 50%+ Locations	Gallons Qualified for Income Tax Credit (Millions)
CY 2005	765.1	7.0%	53.6	n/a	n/a
CY 2006	793.8	9.0%	71.4	25.0%	17.9
CY 2007	823.6	13.0%	107.1	45.0%	48.2
CY 2008	854.4	16.0%	136.7	75.0%	102.5
CY 2009	886.5	19.0%	168.4	75.0%	126.3
CY 2010	919.7	22.0%	202.3	75.0%	151.8
CY 2011	954.2	24.0%	229.0	75.0%	171.8
CY 2012	990.0	26.0%	257.4	75.0%	193.0

**Sources**

- Department of Revenue (taxable fuel sales volume)
- Chicago Board of Trade (ethanol futures prices)
- New York Mercantile Exchange (gasoline futures prices)

HOUSE FILE 2754

H-8405

1 Amend the amendment, H-8399, to House File 2754 as  
2 follows:

3 1. Page 2, by inserting after line 12, the  
4 following:

5 "\_\_\_\_. Page 14, by striking line 22, and inserting  
6 the following: "infrastructure board on a cost-share  
7 basis. To all extent practical, the program shall be  
8 administered in conjunction with the programs provided  
9 in section 15.401. The department shall contract with  
10 a qualified organization to evaluate applications for  
11 referral to the department and evaluation and approval  
12 by the infrastructure board.

13 \_\_\_\_\_. The infrastructure board shall approve"."

14 2. Page 2, by inserting after line 29, the  
15 following:

16 "\_\_\_\_. Page 17, by striking lines 16 through 20  
17 and inserting the following:

18 "\_\_\_\_. To all extent practical, the program shall  
19 be administered in conjunction with the programs  
20 provided in section 15.401. The department shall  
21 contract with a qualified organization to evaluate  
22 applications for referral to the department and  
23 evaluation and approval by the infrastructure board.

24 \_\_\_\_\_. The department shall award"."

By HOFFMAN of Crawford

H-8405 FILED MARCH 28, 2006

ADOPTED

HOUSE FILE 2754

H-8407

1 Amend the amendment, H-8377, to House File 2754 as  
2 follows:

3 1. Page 1, by inserting after line 1 the  
4 following:

5 "\_\_\_\_. Page 1, line 20, by striking the word  
6 "constituent" and inserting the following:  
7 "component"."

8 2. Page 1, by inserting after line 2 the  
9 following:

10 "\_\_\_\_. Page 4, line 23, by striking the word  
11 "having" and inserting the following: "be".

12 \_\_\_\_\_. Page 5, line 22, by striking the word "The"  
13 and inserting the following: "If the motor fuel is  
14 advertised for sale or sold as biodiesel or biodiesel  
15 blended fuel, the".

16 \_\_\_\_\_. Page 11, line 6, by striking the word  
17 "equipment" and inserting the following: "dispenser".

18 \_\_\_\_\_. By striking page 31, line 35, through page  
19 33, line 9."

20 3. Page 1, by inserting after line 15 the  
21 following:

22 "\_\_\_\_. Page 37, by striking lines 2 through 4."

23 4. Page 1, by inserting after line 37 the  
24 following:

25 "\_\_\_\_. Page 40, by striking lines 11 through 15  
26 and inserting the following: "the biofuel threshold  
27 percentage as provided in section 452A.31."

28 5. Page 2, by inserting after line 50 the  
29 following:

30 "\_\_\_\_. Title page, line 5, by striking the words  
31 "and excise taxes"."

32 6. By renumbering as necessary.

By KURTENBACH of Story  
S. OLSON of Clinton

H-8407 FILED MARCH 28, 2006  
LOST

HOUSE FILE 2754

H-8409

1 Amend the amendment, H-8377, to House File 2754 as  
2 follows:

3 1. Page 1, line 1, by striking the word "Amend"  
4 and inserting the following: "Amend".

5 2. Page 1, by inserting after line 2 the  
6 following:

7 "\_\_\_\_. Page 5, by inserting after line 12, the  
8 following:

9 "Sec. \_\_\_\_\_. Section 214A.2, Code 2005, is amended  
10 by adding the following new subsection:

11 NEW SUBSECTION. 2B. a. Except as provided in  
12 paragraph "b", a retail dealer shall not advertise for  
13 sale, sell, or dispense gasoline other than ethanol  
14 blended gasoline in this state.

15 b. A retail dealer may advertise for sale, sell,  
16 or dispense gasoline, other than ethanol blended  
17 gasoline, in this state if both of the following  
18 apply:

19 (1) The gasoline is used to operate a motor which  
20 powers any one of the following:

21 (a) An aircraft as defined in section 328.1.

22 (b) A motor vehicle used exclusively for motor  
23 sports, including on a raceway, if the motor vehicle  
24 cannot operate on a highway as provided in chapter 321  
25 or rules adopted by the state department of  
26 transportation.

27 (c) An antique vehicle registered under section  
28 321.115.

29 (d) A snowmobile as defined in section 321G.1.

30 (e) An all-terrain vehicle as defined in section  
31 321G.1.

32 (f) A watercraft as defined in section 462A.2.

33 (g) A lawnmower or other implement powered by a  
34 small motor.

35 (2) The retail dealer does not use more than one  
36 motor fuel pump located at a retail motor fuel site to  
37 sell and dispense the gasoline."

38 \_\_\_\_\_. Page 7, by inserting after line 24 the  
39 following:

40 "Sec. \_\_\_\_\_. EFFECTIVE DATE. Section 214A.2,  
41 subsection 2B, as enacted in this Act, takes effect  
42 January 1, 2007."

43 \_\_\_\_\_. Page 20, by striking lines 7 through 10, and  
44 inserting the following: "section, if the taxpayer  
45 claims an E-85 gasoline promotion tax credit as  
46 provided in".

47 \_\_\_\_\_. By striking page 20, line 17, through page  
48 22, line 29.

49 \_\_\_\_\_. Page 24, by striking lines 9 through 13.

50 \_\_\_\_\_. Page 24, line 14, by striking the word "b."

H-8409

**H-8409**

Page 2

- 1 and inserting the following: "5."
- 2 \_\_\_\_\_. Page 27, by striking lines 6 through 9, and
- 3 inserting the following: "subsection, if the taxpayer
- 4 claims an E-85 promotion tax credit as provided in
- 5 section".
- 6 \_\_\_\_\_. Page 27, line 17, by striking the word
- 7 "subsections" and inserting the following:
- 8 "subsection".
- 9 \_\_\_\_\_. Page 27, by striking lines 18 through 33.
- 10 \_\_\_\_\_. Page 28, by striking lines 32 and 33 and
- 11 inserting the following: "422.110 and 422.11P, as
- 12 enacted in this Act, and section 422.33, subsections
- 13 11B and 11C, as enacted in".
- 14 \_\_\_\_\_. Page 29, by striking lines 16 through 29.
- 15 \_\_\_\_\_. By striking page 31, line 35, through page
- 16 33, line 9."
- 17 2. Page 1, by inserting after line 15 the
- 18 following:
- 19 "\_\_\_\_\_. Page 37, by striking lines 2 through 4."
- 20 3. Page 2, by inserting after line 50 the
- 21 following:
- 22 "\_\_\_\_\_. Title page, line 5, by striking the words
- 23 "and excise taxes"."
- 24 4. By renumbering as necessary.

**By** SHOULTZ of Black Hawk  
KUHNS of Floyd

**H-8409** FILED MARCH 28, 2006  
LOST

HOUSE FILE 2754  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2735)  
(SUCCESSOR TO HSB 587)

(As Amended and Passed by the House March 28, 2006)

Re- Passed House, Date 4-12-06 Passed Senate, Date 4-11-06  
Vote: Ayes 97 Nays 1 Vote: Ayes 49 Nays 1  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to renewable fuel and energy, providing  
2 incentives for infrastructure used to store and dispense  
3 renewable fuel, providing for income tax credits and excise  
4 taxes, providing for penalties, and providing effective and  
5 applicability dates, including retroactive applicability.

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

7  
8 Deleted Language \*  
9 House Amendments

10 □ □  
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## 1 DIVISION I

## 2 ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

3 Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of  
4 this state that by January 1, 2025, biofuel will replace  
5 twenty-five percent of all petroleum used in the formulation  
6 of 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. "Biodiesel" means a renewable fuel  
14 comprised of mono-alkyl esters of long-chain fatty acids  
15 derived from vegetable oils or animal fats, which meets the  
16 standards provided in section 214A.2.

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

21 NEW SUBSECTION. 1C. "Biofuel" means ethanol or biodiesel.

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

25 NEW SUBSECTION. 1E. "Dealer" means a wholesale dealer or  
26 retail dealer.

27 NEW SUBSECTION. 1F. "Diesel fuel" means any liquid, other  
28 than gasoline, which is suitable for use as a fuel in a diesel  
29 fuel powered engine, including but not limited to a motor  
30 vehicle, equipment as defined in section 322F.1, or a train.  
31 Diesel fuel includes a liquid product prepared, advertised,  
32 offered for sale, or sold for use as, or commonly and  
33 commercially used as, motor fuel for use in an internal  
34 combustion engine and ignited by pressure without the presence  
35 of an electric spark. Diesel fuel must meet the standards

1 provided in section 214A.2.

2 NEW SUBSECTION. 1G. "E-85 gasoline" means ethanol blended  
3 gasoline formulated with a minimum percentage of between  
4 seventy and eighty-five percent by volume of ethanol, if the  
5 formulation meets the standards provided in section 214A.2.

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

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

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

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

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

\*28 NEW SUBSECTION. 6A. "Retail motor fuel site" means a  
29 geographic location in this state where a retail dealer sells  
30 and dispenses motor fuel on a retail basis.

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

33 2. "Motor ~~vehiele~~ fuel" means a substance or combination  
34 of substances which is intended to be or is capable of being  
35 used for the purpose of-propelling-or-running-by-combustion

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

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

11 6. "Retail dealer" means a person engaged in the business  
12 of storing and dispensing motor fuel from a motor fuel pump  
13 for sale on a retail basis, regardless of whether the motor  
14 fuel pump is located at a retail motor fuel site.

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 and 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 or a  
21 successor A.S.T.M. international specification as established  
22 by rules adopted by the department.

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

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

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

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

33 (c) E-85 gasoline must conform to A.S.T.M. international  
34 specification D 5798-99 or a successor A.S.T.M. international  
35 specification as established by rules adopted by the

1 department.

2 (4) In calculating the percentage of ethanol required for  
3 the formulation of ethanol blended gasoline, a percentage of a  
4 denaturant or contaminants permitted in the ethanol blended  
5 gasoline may be excluded as provided by rules adopted by the  
6 department.

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

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

16 b. The motor fuel must comply with departmental standards  
17 which shall comply with specifications adopted by A.S.T.M.  
18 international for biodiesel or biodiesel blended fuel, to  
19 every extent applicable as determined by rules adopted by the  
20 department.

21 (1) Biodiesel must conform to A.S.T.M. international  
22 specification D 6751 or a successor A.S.T.M. international  
23 specification as established by rules adopted by the  
24 department. The specification shall apply to biodiesel before  
25 it leaves its place of manufacture.

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

28 (3) The biodiesel may be blended with diesel fuel whose  
29 sulfur, aromatic, lubricity, and cetane levels do not comply  
30 with A.S.T.M. international specification D 975 grades 1-D or  
31 2-D, low sulfur 1-D or 2-D, or ultra-low sulfur grades 1-D or  
32 2D, provided that the finished biodiesel blended fuel meets  
33 A.S.T.M. international specification D 975 or a successor  
34 A.S.T.M. international specification as established by rules  
35 adopted by the department.

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

3 214A.2A KEROSENE LABELING.

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

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

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

17 214A.3 ADVERTISING.

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

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

22 b. Falsely advertise the quality or kind of any motor fuel  
23 or a component of motor fuel.

24 c. Add a coloring matter to the motor fuel which misleads  
25 a person who is purchasing the motor fuel about the quality of  
26 the motor fuel.

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

28 a. A person shall not knowingly falsely advertise that a  
29 motor fuel is a renewable fuel or is not a renewable fuel.

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

35 (2) Biodiesel blended fuel shall be designated B-xx where

1 "xx" is the volume percent of biodiesel in the biodiesel  
2 blended fuel. A person shall not knowingly falsely advertise  
3 biodiesel blended fuel by using an inaccurate designation in  
4 violation of this subparagraph.

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

7 214A.8 PROHIBITION.

8 A ~~retail-or-wholesale~~ dealer defined-in-this-chapter shall  
9 not knowingly sell any motor ~~vehicle~~ fuel or an oxygenate  
10 ~~octane-enhancer~~ in the state that fails to meet applicable  
11 standards ~~and-specifications-set-out-in-this-chapter~~ as  
12 provided in section 214A.2.

13 Sec. 11. Section 214A.11, Code 2005, is amended to read as  
14 follows:

15 214A.11 VIOLATIONS PENALTY.

16 Any A person ~~violating-the-provisions~~ who knowingly  
17 violates a provision of this chapter ~~shall-be~~ is guilty of a  
18 ~~simple~~ serious misdemeanor.

19 DIVISION II

20 RENEWABLE FUEL AND ENERGY

21 Sec. 12. Section 15.103, subsection 1, paragraph b,  
22 subparagraph (7), Code Supplement 2005, is amended to read as  
23 follows:

24 (7) Economics or alternative and renewable energy  
25 including the alternative and renewable energy sectors listed  
26 in section 476.42, subsection 1, paragraph "a".

27 Sec. 13. Section 15E.61, unnumbered paragraph 1, Code  
28 2005, is amended to read as follows:

29 The general assembly finds the following: Fundamental  
30 changes have occurred in national and international financial  
31 markets and in the financial markets of this state. A  
32 critical shortage of seed and venture capital resources exists  
33 in the state, and such shortage is impairing the growth of  
34 commerce in the state. A need exists to increase the  
35 availability of venture equity capital for emerging,

1 expanding, and restructuring enterprises in Iowa, including,  
2 without limitation, enterprises in the life sciences, advanced  
3 manufacturing, information technology, alternative and  
4 renewable energy including the alternative and renewable  
5 energy sectors listed in section 476.42, subsection 1,  
6 paragraph "a", and value-added agriculture areas. Such  
7 investments will create jobs for Iowans and will help to  
8 diversify the state's economic base.

9 Sec. 14. Section 15E.223, subsection 4, Code 2005, is  
10 amended to read as follows:

11 4. "Targeted industry business" means an existing or  
12 proposed business entity, including an emerging small business  
13 or qualified business which is operated for profit and which  
14 has a primary business purpose of doing business in at least  
15 one of the targeted industries designated by the department  
16 which include life sciences, software and information  
17 technology, advanced manufacturing, value-added agriculture,  
18 alternative and renewable energy including the alternative and  
19 renewable energy sectors listed in section 476.42, subsection  
20 1, paragraph "a", and any other industry designated as a  
21 targeted industry by the department.

22 Sec. 15. Section 15E.231, subsection 1, Code Supplement  
23 2005, is amended by adding the following new paragraph:

24 NEW PARAGRAPH. h. Development of the alternative and  
25 renewable energy sector.

26 Sec. 16. Section 15E.351, subsection 1, Code Supplement  
27 2005, is amended to read as follows:

28 1. The department shall establish and administer a  
29 business accelerator program to provide financial assistance  
30 for the establishment and operation of a business accelerator  
31 for technology-based, value-added agricultural, information  
32 solutions, alternative and renewable energy including the  
33 alternative and renewable energy sectors listed in section  
34 476.42, subsection 1, paragraph "a", or advanced manufacturing  
35 start-up businesses or for a satellite of an existing business

1 accelerator. The program shall be designed to foster the  
2 accelerated growth of new and existing businesses through the  
3 provision of technical assistance. The department shall use  
4 moneys appropriated to the department from the grow Iowa  
5 values fund pursuant to section 15G.111, subsection 1, subject  
6 to the approval of the economic development board, to provide  
7 financial assistance under this section.

8 Sec. 17. Section 260C.18A, subsection 2, unnumbered  
9 paragraph 1, Code Supplement 2005, is amended to read as  
10 follows:

11 Moneys deposited in the funds and disbursed to community  
12 colleges for a fiscal year shall be expended for the following  
13 purposes, provided seventy percent of the moneys shall be used  
14 on projects in the areas of advanced manufacturing,  
15 information technology and insurance, alternative and  
16 renewable energy including the alternative and renewable  
17 energy sectors listed in section 476.42, subsection 1,  
18 paragraph "a", and life sciences which include the areas of  
19 biotechnology, health care technology, and nursing care  
20 technology:

21 Sec. 18. Section 323A.1, Code 2005, is amended by adding  
22 the following new subsections:

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

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

27 Sec. 19. Section 323A.1, subsection 4, Code 2005, is  
28 amended to read as follows:

29 4. "Motor fuel" means gasoline-or-diesel-fuel the same as  
30 motor fuel as defined in section 214A.1, which is of a type  
31 distributed for use as a fuel in self-propelled vehicles  
32 designed primarily for use on public streets, roads, and  
33 highways.

34 Sec. 20. Section 323A.2, subsection 1, paragraph a, Code  
35 2005, is amended to read as follows:

1 a. At least forty-eight hours prior to entering into an  
2 agreement to purchase motor fuel from another source, the  
3 franchisee has requested delivery of motor fuel from the  
4 franchisor and the requested motor fuel has not been delivered  
5 and the franchisor has given the franchisee notice that the  
6 franchisor is unable to provide the requested motor fuel, or  
7 prior to entering into an agreement the franchisor has stated  
8 to the franchisee that the requested motor fuel will not be  
9 delivered. The request to the franchisor for delivery shall  
10 be for a type of fuel normally provided by the franchisor to  
11 the franchisee and for a quantity of fuel not exceeding the  
12 average amount sold by the franchisee in one week, based upon  
13 average weekly sales in the three months preceding the  
14 request, except that this provision shall not restrict a  
15 franchisee from purchasing ethanol blended gasoline from a  
16 source other than the franchisor or limit the quantity to be  
17 purchased when the franchisor does not normally supply the  
18 franchisee with ethanol blended gasoline. A franchisee may  
19 also purchase E-85 gasoline as provided in section 323A.2A.

20 Sec. 21. NEW SECTION. 323A.2A PURCHASE OF E-85 GASOLINE  
21 FROM OTHER SOURCE.

22 1. a. When on and after the effective date of this  
23 section of this Act, a franchise is entered into or renewed,  
24 the franchisor shall provide for the delivery of volumes of E-  
25 85 gasoline at times demanded by the franchisee or shall allow  
26 the franchisee to purchase those volumes of E-85 gasoline at  
27 those times from another source.

28 b. If a franchise is in effect on the effective date of  
29 this section of this Act and does not have an expiration date,  
30 the franchisor shall provide for the delivery of volumes of E-  
31 85 gasoline at times demanded by the franchisee or shall allow  
32 the franchisee to purchase those volumes of E-85 gasoline at  
33 those times from another source.

34 2. If the franchisee sells E-85 gasoline delivered from a  
35 source other than the franchisor, the franchisee shall

1 prominently post a sign disclosing this fact to the public on  
2 each motor fuel pump used for dispensing the E-85 gasoline.  
3 The size of the sign shall not be less than eight inches by  
4 ten inches and the letters on the sign shall be at least three  
5 inches in height.

6 3. A franchisee who sells E-85 gasoline delivered from a  
7 source other than the franchisor shall also fully indemnify  
8 the franchisor against any claims asserted by a user on which  
9 the claimant prevails and in which the court determines that  
10 E-85 gasoline not acquired from the franchisor was the  
11 proximate cause of the injury.

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

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

\* 16 SUBCHAPTER III

17 RENEWABLE FUEL INFRASTRUCTURE

18 Sec. 22. NEW SECTION. 455G.31 E-85 GASOLINE STORAGE AND  
19 DISPENSING INFRASTRUCTURE.

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

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

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

32 b. For a dispenser, the manufacturer must state all of the  
33 following:

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

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

4 A manufacturer's statement must include a written  
5 statement, with reference to a particular type and model of  
6 equipment, signed by a responsible official on behalf of the  
7 manufacturer, provided either to the retail dealer using the  
8 gasoline storage and dispensing infrastructure or to the  
9 department of natural resources or the department of public  
10 safety. If the written statement is provided to a retail  
11 dealer, the statement shall be retained in the files on the  
12 premises of the retail dealer and shall be available to  
13 personnel of the department of natural resources or the  
14 department of public safety upon request.

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

16 Sec. 23. EFFECTIVE DATE.

17 1. The sections of this Act amending sections 323A.1 and  
18 323A.2, being deemed of immediate importance, take effect upon  
19 enactment.

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

22 DIVISION III

23 RENEWABLE FUEL INFRASTRUCTURE PROGRAMS

24 SUBCHAPTER II

25 RENEWABLE FUEL INFRASTRUCTURE

26 Sec. 24. NEW SECTION. 15G.114 DEFINITIONS.

27 As used in this subchapter, unless the context otherwise  
28 requires:

29 1. "Biodiesel", "biodiesel blended fuel", "E-85 gasoline",  
30 "gasoline", "motor fuel", "motor fuel pump", "retail dealer",  
31 and "retail motor fuel site" mean the same as defined in  
32 section 214A.1.

33 2. "Infrastructure board" means the renewable fuel  
34 infrastructure board as created in section 15G.115.

35 3. "Motor fuel storage and dispensing infrastructure" or

1 "infrastructure" means a tank and motor fuel pumps necessary  
2 to keep and dispense motor fuel at a retail motor fuel site,  
3 including but not limited to all associated equipment,  
4 dispensers, pumps, pipes, hoses, tubes, lines, fittings,  
5 valves, filters, seals, and covers.

6 4. "Terminal" means a storage and distribution facility  
7 for motor fuel or a blend stock such as ethanol or biodiesel  
8 that is supplied to a motor vehicle, pipeline, or a marine  
9 vessel and from which the motor fuel or blend stock may be  
10 removed at a rack. "Terminal" does not include any of the  
11 following:

12 a. A retail motor fuel site.

13 b. A facility at which motor fuel or special fuel, or  
14 blend stocks are used in the manufacture of products other  
15 than motor fuel and from which no motor fuel or special fuel  
16 is removed.

17 5. "Terminal operator" means a person who has  
18 responsibility for, or physical control over, the operation of  
19 a terminal, including by ownership, contractual agreement, or  
20 appointment.

\* 21 Sec. 25. NEW SECTION. 15G.115 RENEWABLE FUEL  
22 INFRASTRUCTURE BOARD.

23 A renewable fuel infrastructure board is established within  
24 the department.

25 1. The department shall provide the infrastructure board  
26 with necessary facilities, items, and clerical support. The  
27 department shall perform administrative functions necessary  
\* 28 for the management of the infrastructure board, and the  
29 renewable fuel infrastructure programs as provided in sections  
30 15G.116 and 15G.117, all under the direction of the  
31 infrastructure board.

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

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

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

3 (1) The agribusiness association of Iowa.

4 (2) The Iowa corn growers association.

5 (3) The Iowa farm bureau federation.

6 (4) The Iowa motor truck association.

7 (5) The Iowa soybean association.

8 (6) The petroleum marketers and convenience stores of  
9 Iowa.

10 (7) The Iowa petroleum equipment contractors association.

11 (8) The Iowa renewable fuels association.

12 3. Appointments of voting members to the infrastructure  
13 board are subject to the requirements of sections 69.16 and  
14 69.16A. In addition, the appointments shall be geographically  
15 balanced. The governor's appointees shall be confirmed by the  
16 senate, pursuant to section 2.32.

17 4. The members of the infrastructure board shall serve  
18 five-year terms beginning and ending as provided in section  
19 69.19. However, the governor shall appoint initial members to  
20 serve for less than five years to ensure members serve  
21 staggered terms. A member is eligible for reappointment. A  
22 vacancy on the board shall be filled for the unexpired portion  
23 of the regular term in the same manner as regular appointments  
24 are made.

25 5. The infrastructure board shall elect a chairperson from  
26 among its members each year on a rotating basis as provided by  
27 the infrastructure board. The infrastructure board shall meet  
28 on a regular basis and at the call of the chairperson or upon  
29 the written request to the chairperson of five or more  
30 members.

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

34 7. Five members of the infrastructure board constitute a  
35 quorum and the affirmative vote of a majority of the members

1 present is necessary for any substantive action to be taken by  
2 the infrastructure board. The majority shall not include any  
3 member who has a conflict of interest and a statement by a  
4 member that the member has a conflict of interest is  
5 conclusive for this purpose. A vacancy in the membership does  
6 not impair the duties of the infrastructure board.

7 Sec. 26. NEW SECTION. 15G.116 RENEWABLE FUEL  
8 INFRASTRUCTURE PROGRAM FOR RETAIL MOTOR FUEL SITES.

9 A renewable fuel infrastructure program is established in  
10 the department under the direction of the renewable fuel  
11 infrastructure board created pursuant to section 15G.115.

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

19 2. The department shall award financial incentives to a  
20 person participating in the program as directed by the  
21 infrastructure board on a cost-share basis. To all extent  
22 practical, the program shall be administered in conjunction  
23 with the programs provided in section 15.401. The department  
24 shall contract with a qualified organization to evaluate  
25 applications for referral to the department and evaluation and  
26 approval by the infrastructure board.

27 3. The infrastructure board shall approve cost-share  
28 agreements executed by the department and persons that the  
29 infrastructure board determines are eligible as provided in  
30 this section, according to terms and conditions required by  
31 the infrastructure board. The infrastructure board shall  
32 determine the amount of the financial incentives to be awarded  
33 to a person participating in the program. In order to be  
34 eligible to participate in the program all of the following  
35 must apply:

1 a. The person must be an owner or operator of the retail  
2 motor fuel site.

3 b. The person must apply to the department in a manner and  
4 according to procedures required by the infrastructure board.  
5 The application must contain all information required by the  
6 infrastructure board and shall at least include all of the  
7 following:

8 (1) The name of the person and the address of the retail  
9 motor fuel site to be improved.

10 (2) A detailed description of the infrastructure to be  
11 installed, replaced, or converted, including but not limited  
12 to the model number of each installed, replaced, or converted  
13 motor fuel storage tank if available.

14 (3) A statement describing how the retail motor fuel site  
15 is to be improved, the total estimated cost of the planned  
16 improvement, and the date when the infrastructure will be  
17 first used to store and dispense the renewable fuel.

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

22 4. A retail motor fuel site which is improved using  
23 financial incentives must comply with federal and state  
24 standards governing new or upgraded motor fuel storage tanks  
25 used to store and dispense the renewable fuel. A site  
26 classified as a no further action site pursuant to a  
27 certificate issued by the department of natural resources  
28 under section 455B.474 shall retain its classification  
29 following modifications necessary to store and dispense the  
30 renewable fuel and the owner or operator shall not be required  
31 to perform a new site assessment unless the site causes a  
32 clear, present, and impending danger to the public health or  
33 the environment.

34 5. a. For the period beginning July 1, 2006, and ending  
35 June 30, 2009, the department upon direction of the

1 infrastructure board shall distribute financial incentives to  
2 improve retail motor fuel sites located within each of the six  
3 geographic regions described in section 173.4A.

4 b. The infrastructure board shall not approve a cost-  
5 share agreement which awards financial incentives to install,  
6 replace, or convert infrastructure associated with more than  
7 one motor fuel storage tank or motor fuel pump located at the  
8 same retail motor fuel site.

9 6. An award of financial incentives to a participating  
10 person shall be in the form of a grant.

11 a. In order to participate in the program an eligible  
12 person must execute a cost-share agreement with the department  
13 as approved by the infrastructure board in which the person  
14 contributes a percentage of the total costs related to  
15 improving the retail motor fuel site. The financial  
16 incentives awarded to the participating person shall not  
17 exceed thirty percent of the estimated cost of making the  
18 improvements or thirty percent of the actual cost of making  
19 the improvements, whichever is less.

20 b. The infrastructure board shall not approve an award of  
21 more than thirty thousand dollars to improve a retail motor  
22 fuel site. The infrastructure board may approve multiple  
23 awards to make improvements to a retail motor fuel site so  
24 long as the total amount of the awards in all years is not  
25 more than thirty thousand dollars.

26 c. A participating person shall not use the infrastructure  
27 to store or dispense motor fuel other than E-85 gasoline,  
28 biodiesel, or biodiesel blended fuel unless one of the  
29 following applies:

30 (1) The participating person is granted a waiver by the  
31 infrastructure board. The participating person shall store or  
32 dispense the motor fuel according to the terms and conditions  
33 of the waiver.

34 (2) The infrastructure fund is immediately repaid the  
35 total amount of moneys awarded to the participating person

1 together with a monetary penalty equal to twenty-five percent  
2 of that awarded amount.

3 d. A participating person who acts in violation of an  
4 agreement executed with the department pursuant to this  
5 section is subject to a civil penalty of not more than one  
6 thousand dollars a day for each day of the violation. The  
7 civil penalty shall be deposited into the general fund of the  
8 state.

9 e. The infrastructure board shall submit a report to the  
10 general assembly each year which provides the same information  
11 as required in section 15.104, subsection 9.

12 Sec. 27. NEW SECTION. 15G.117 RENEWABLE FUEL  
13 INFRASTRUCTURE PROGRAM FOR BIODIESEL TERMINAL FACILITIES.

14 The department, under the direction of the renewable fuel  
15 infrastructure board created in section 15G.115, and in  
16 cooperation with the Iowa comprehensive petroleum underground  
17 storage tank fund board as provided in chapter 455G, shall  
18 establish and administer a renewable fuel infrastructure  
19 program for terminal facilities that store and dispense  
20 biodiesel or biodiesel blended fuel. The infrastructure must  
21 be designed and shall be used exclusively to store and  
22 distribute biodiesel or biodiesel blended fuel. The  
23 department as directed by the infrastructure board shall  
24 provide a cost-share program for financial incentives.

25 1. To all extent practical, the program shall be  
26 administered in conjunction with the programs provided in  
27 section 15.401. The department shall contract with a  
28 qualified organization to evaluate applications for referral  
29 to the department and evaluation and approval by the  
30 infrastructure board.

31 2. The department shall award financial incentives to a  
32 terminal operator participating in the program as directed by  
33 the infrastructure board. In order to be eligible to  
34 participate in the program, the terminal operator must apply  
35 to the department in a manner and according to procedures

1 required by the infrastructure board. The application must  
2 contain information required by the infrastructure board and  
3 shall at least include all of the following:

4 a. The name of the terminal operator and the address of  
5 the terminal to be improved.

6 b. A detailed description of the infrastructure to be  
7 installed, replaced, or converted.

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

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

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

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

30 a. The participating terminal operator is granted a waiver  
31 by the infrastructure board. The participating terminal  
32 operator shall store or dispense the motor fuel according to  
33 the terms and conditions of the waiver.

34 b. The infrastructure fund is immediately repaid the total  
35 amount of moneys awarded to the participating terminal

1 operator together with a monetary penalty equal to twenty-five  
2 percent of that awarded amount.

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

\* 9 DIVISION IV

10 RENEWABLE FUEL INCOME TAX CREDIT PROVISIONS

11 Sec. 28. Section 422.11C, subsection 1, paragraphs a  
12 through g, Code 2005, are amended by striking the paragraphs  
13 and inserting in lieu thereof the following:

14 a. "E-85 gasoline", "ethanol blended gasoline",  
15 "gasoline", and "retail dealer" mean the same as defined in  
16 section 214A.1.

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

19 c. "Retail motor fuel site" means the same as defined in  
20 section 214A.1.

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

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

24 Sec. 29. Section 422.11C, subsection 2, paragraph b, Code  
25 2005, is amended to read as follows:

26 b. The taxpayer operates at least one ~~service-station~~  
27 retail motor fuel site at which more than sixty percent of the  
28 total gallons of gasoline sold and dispensed through one or  
29 more metered motor fuel pumps by the taxpayer in the tax year  
30 is ethanol blended gasoline.

31 Sec. 30. Section 422.11C, subsection 3, Code 2005, is  
32 amended to read as follows:

33 3. The tax credit shall be calculated separately for each  
34 service-station retail motor fuel site operated by the  
35 taxpayer. The amount of the tax credit for each eligible

1 service-station retail motor fuel site is two and one-half  
2 cents multiplied by the total number of gallons of ethanol  
3 blended gasoline sold and dispensed through all metered motor  
4 fuel pumps located at that service-station retail motor fuel  
5 site during the tax year in excess of sixty percent of all  
6 gasoline sold and dispensed through metered motor fuel pumps  
7 at that service-station retail motor fuel site during the tax  
8 year.

9 3A. A taxpayer is not eligible to claim a designated  
10 ethanol blended gasoline tax credit as provided in this  
11 section, if the taxpayer claims any of the following:

12 a. An ethanol promotion tax credit as provided in section  
13 422.11N or 422.33.

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

17 Sec. 31. Section 422.11C, Code 2005, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 6. This section is repealed on January 1,  
20 2007.

21 Sec. 32. NEW SECTION. 422.11N ETHANOL PROMOTION TAX  
22 CREDIT.

23 1. As used in this section, unless the context otherwise  
24 requires:

25 a. "E-85 gasoline", "ethanol", "ethanol blended gasoline",  
26 "gasoline", "motor fuel pump", and "retail dealer" mean the  
27 same as defined in section 214A.1.

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

29 c. "Tax credit" means the ethanol promotion tax credit as  
30 provided in this section.

31 2. The taxes imposed under this division, less the credits  
32 allowed under sections 422.12 and 422.12B, shall be reduced by  
33 an ethanol promotion tax credit for each tax year that the  
34 taxpayer is eligible to claim the tax credit under this  
35 section. In order to be eligible, all of the following must

1 apply:

2 a. The taxpayer is a retail dealer who sells and dispenses  
3 ethanol blended gasoline through a motor fuel pump in the tax  
4 year in which the tax credit is claimed.

5 b. The retail dealer complies with requirements of the  
6 department to administer this section.

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

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

11 b. The retail dealer's total ethanol gallonage as provided  
12 in section 452A.31. The retail dealer may calculate the  
13 ethanol gallonage based on the schedule provided in section  
14 452A.32.

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

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

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

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

27 (2) Multiply the retail dealer's total gasoline gallonage  
28 by a deductible percentage and round off the resulting product  
29 to the nearest whole number to obtain the subtrahend. For  
30 calendar year 2011, the deductible percentage is one percent.  
31 For each subsequent calendar year, the deductible percentage  
32 shall keep increasing by one percent.

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

35 (4) Multiply the retail dealer's resulting qualifying

1 ethanol gallonage by five cents.

2 c. If a retail dealer's tax year ends prior to December 31  
3 of a calendar year, the retail dealer may continue to claim  
4 the tax credit in the retail dealer's following tax year. In  
5 that case, the tax credit shall be five cents multiplied by  
6 the retail dealer's total ethanol gallonage for the period  
7 beginning on the first day of the retail dealer's new tax year  
8 until December 31. For that period, the tax credit shall be  
9 calculated in the same manner as a retail dealer whose tax  
10 year began on the previous January 1 and who is calculating  
11 the tax credit on that same December 31.

12 5. a. A retail dealer is eligible to claim an ethanol  
13 promotion tax credit as provided in this section even though  
14 the retail dealer claims an E-85 gasoline promotion tax credit  
15 pursuant to section 422.110 for the same tax year and for the  
16 same ethanol gallonage.

17 b. A retail dealer is not eligible to claim an ethanol  
18 promotion tax credit as provided in this section if the retail  
19 dealer claims a designated ethanol blended gasoline tax credit  
20 as provided in section 422.11C.

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

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

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

34 Sec. 33. NEW SECTION. 422.110 E-85 GASOLINE PROMOTION  
35 TAX CREDIT.

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

3 a. "E-85 gasoline", "ethanol", "gasoline", "motor fuel  
4 pump", and "retail dealer" mean the same as defined in section  
5 214A.1.

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

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

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

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

17 b. The retail dealer complies with requirements of the  
18 department to administer this section.

19 3. The amount of the tax credit for a retail dealer is  
20 calculated by multiplying a designated rate by the retail  
21 dealer's total E-85 gasoline gallonage as provided in sections  
22 452A.31 and 452A.32. The designated rate is as follows:

23 a. For calendar year 2006 or calendar year 2007, twenty-  
24 five cents.

25 b. For calendar year 2008 or calendar year 2009, twenty  
26 cents.

27 c. For calendar year 2010, ten cents.

28 d. For calendar year 2011, nine cents.

29 e. For calendar year 2012, eight cents.

30 f. For calendar year 2013, seven cents.

31 g. For calendar year 2014, six cents.

32 h. For calendar year 2015, five cents.

33 i. For calendar year 2016, four cents.

34 j. For calendar year 2017, three cents.

35 k. For calendar year 2018, two cents.

1 1. For calendar year 2019, one cent.

2 4. If a retail dealer's tax year ends prior to December 31  
3 of a calendar year, the retail dealer may continue to claim  
4 the tax credit in the retail dealer's following tax year. In  
5 that case, the tax credit shall be the designated rate  
6 multiplied by the retail dealer's total E-85 gasoline  
7 gallonage for the remaining period beginning on the first day  
8 of the retail dealer's new tax year until the next December  
9 31. For that remaining period, the tax credit shall be  
10 calculated in the same manner as a retail dealer whose tax  
11 year began on the previous January 1 and who is calculating  
12 the tax credit on that same December 31.

13 5. a. A retail dealer is eligible to claim an E-85  
14 gasoline promotion tax credit as provided in this section even  
15 though the retail dealer claims an ethanol promotion tax  
16 credit pursuant to section 422.11N for the same tax year for  
17 the same ethanol gallonage.

18 b. A retail dealer is not eligible to claim an E-85  
19 gasoline tax credit as provided in this section, if the retail  
20 dealer claims a designated ethanol blended gasoline tax credit  
21 as provided in section 422.11C.

22 6. Any credit in excess of the retail dealer's tax  
23 liability shall be refunded. In lieu of claiming a refund,  
24 the retail dealer may elect to have the overpayment shown on  
25 the retail dealer's final, completed return credited to the  
26 tax liability for the following tax year.

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

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

35 Sec. 34. NEW SECTION. 422.11P BIODIESEL BLENDED FUEL TAX

1 CREDIT.

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

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

6 b. "Motor fuel pump" means the same as defined in section  
7 214.1.

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

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

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

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

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

21 (2) Of the total gallons of diesel fuel that the retail  
22 dealer sells and dispenses through all motor fuel pumps during  
23 the retail dealer's tax year, fifty percent or more is  
24 biodiesel blended fuel which meets the requirements of this  
25 section.

26 (3) The retail dealer complies with requirements of the  
27 department established to administer this section.

28 b. The tax credit shall apply to biodiesel blended fuel  
29 formulated with a minimum percentage of two percent by volume  
30 of biodiesel, if the formulation meets the standards provided  
31 in section 214A.2.

32 3. The amount of the tax credit is three cents multiplied  
33 by the total number of gallons of biodiesel blended fuel sold  
34 and dispensed by the retail dealer through all motor fuel  
35 pumps operated by the retail dealer during the retail dealer's

1 tax year.

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

7 5. An individual may claim the tax credit allowed a  
8 partnership, limited liability company, S corporation, estate,  
9 or trust electing to have the income taxed directly to the  
10 individual. The amount claimed by the individual shall be  
11 based upon the pro rata share of the individual's earnings of  
12 the partnership, limited liability company, S corporation,  
13 estate, or trust.

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

15 Sec. 35. Section 422.33, subsection 11, paragraph a,  
16 subparagraph (1), Code Supplement 2005, is amended to read as  
17 follows:

18 (1) ~~"Ethanol~~ "E-85 gasoline", "ethanol blended gasoline",  
19 "gasoline", "metered-pump", "motor fuel pump", "retail  
20 dealer", "retail motor fuel site", and "sell"-and-"service  
21 station" mean the same as defined in section 422.11C.

22 Sec. 36. Section 422.33, subsection 11, paragraph b,  
23 subparagraph (2), Code Supplement 2005, is amended to read as  
24 follows:

25 (2) The taxpayer operates at least one ~~service-station~~  
26 retail motor fuel site at which more than sixty percent of the  
27 total gallons of gasoline sold and dispensed through one or  
28 more ~~metered motor fuel~~ pumps by the taxpayer is ethanol  
29 blended gasoline.

30 Sec. 37. Section 422.33, subsection 11, paragraph c, Code  
31 Supplement 2005, is amended to read as follows:

32 c. (1) The tax credit shall be calculated separately for  
33 each ~~service-station~~ retail motor fuel site operated by the  
34 taxpayer.

35 (2) The amount of the tax credit for each eligible ~~service~~

1 station retail motor fuel site is two and one-half cents  
2 multiplied by the total number of gallons of ethanol blended  
3 gasoline sold and dispensed through all metered motor fuel  
4 pumps located at that service-station retail motor fuel site  
5 during the tax year in excess of sixty percent of all gasoline  
6 sold and dispensed through metered motor fuel pumps at that  
7 service-station retail motor fuel site during the tax year.

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

11 (a) An ethanol promotion tax credit as provided in section  
12 422.11N or this section.

13 (b) An E-85 promotion tax credit as provided in section  
14 422.11O or this section for the same gallons of ethanol  
15 blended gasoline.

16 Sec. 38. Section 422.33, subsection 11, Code Supplement  
17 2005, is amended by adding the following new paragraph:

18 NEW PARAGRAPH. e. This subsection is repealed on January  
19 1, 2007.

20 Sec. 39. Section 422.33, Code Supplement 2005, is amended  
21 by adding the following new subsections:

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

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

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

1 provided in section 422.11N.

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

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

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

13 b. Any E-85 gasoline promotion 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 422.110.

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

19 Sec. 40. Section 422.33, Code Supplement 2005, is amended  
20 by adding the following new subsection:

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

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

29 b. Any biodiesel blended fuel tax credit which is in  
30 excess of the taxpayer's tax liability shall be refunded or  
31 may be shown on the taxpayer's final, completed return  
32 credited to the tax liability for the following tax year in  
33 the same manner as provided in section 422.11P.

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

35 Sec. 41. RETROACTIVE APPLICABILITY DATE. Sections

1 422.11N, 422.11O, and 422.11P, as enacted in this Act, and  
2 section 422.33, subsections 11A, 11B, and 11C, as enacted in  
3 this Act, apply retroactively to tax years beginning on or  
4 after January 1, 2006.

5 Sec. 42. TAX CREDIT AVAILABILITY.

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

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

34 3. For a retail dealer who may claim an E-85 gasoline  
35 promotion tax credit under section 422.11O or 422.33,

1 subsection 11B, as enacted in this Act, in calendar year 2019  
2 and whose tax year ends prior to December 31, 2019, the retail  
3 dealer may continue to claim the tax credit in the retail  
4 dealer's following tax year. In that case, the tax credit  
5 shall be calculated in the same manner as provided in section  
6 422.110 or 422.33, subsection 11B, as enacted in this Act, for  
7 the remaining period beginning on the first day of the retail  
8 dealer's new tax year until December 31, 2019. For that  
9 remaining period, the tax credit shall be calculated in the  
10 same manner as a retail dealer whose tax year began on the  
11 previous January 1 and who is calculating the tax credit on  
12 December 31, 2019.

13 4. For a retail dealer who may claim a biodiesel blended  
14 fuel tax credit under section 422.11P or 422.33, subsection  
15 11C, as enacted in this Act, in calendar year 2006 and whose  
16 tax year ends before December 31, 2006, the retail dealer may  
17 claim the tax credit during the period beginning January 1,  
18 2006, and ending on the last day of the retail dealer's tax  
19 year, if of the total gallons of diesel fuel that the retail  
20 dealer sells and dispenses through all motor fuel pumps during  
21 that period, fifty percent or more is biodiesel blended fuel  
22 which meets the requirements of section 422.11P or 422.33,  
23 subsection 11C, as enacted in this Act.

24 5. For a retail dealer who may claim a biodiesel blended  
25 fuel tax credit under section 422.11P or 422.33, subsection  
26 11C, as enacted in this Act, in calendar year 2011 and whose  
27 tax year ends prior to December 31, 2011, the retail dealer  
28 may continue to claim the tax credit in the retail dealer's  
29 following tax year. In that case, the tax credit shall be  
30 calculated in the same manner as provided in section 422.11P  
31 or 422.33, subsection 11C, as enacted in this Act, for the  
32 remaining period beginning on the first day of the retail  
33 dealer's new tax year until December 31, 2011. For that  
34 remaining period, the tax credit shall be calculated in the  
35 same manner as a retail dealer whose tax year began on the

1 previous January 1 and who is calculating the tax credit on  
2 December 31, 2011.

3 DIVISION V

4 PETROLEUM REPLACEMENT INITIATIVE

5 Sec. 43. Section 452A.2, subsection 2, Code Supplement  
6 2005, is amended by striking the subsection and inserting in  
7 lieu thereof the following:

8 2. "Biofuel" means the same as defined in section 214A.1.

9 Sec. 44. Section 452A.2, Code Supplement 2005, is amended  
10 by adding the following new subsections:

11 NEW SUBSECTION. 1A. "Biodiesel" means the same as defined  
12 in section 214A.1.

13 NEW SUBSECTION. 1B. "Biodiesel blended fuel" means the  
14 same as defined in section 214A.1.

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

17 NEW SUBSECTION. 10A. "Ethanol" means the same as defined  
18 in section 214A.1.

19 NEW SUBSECTION. 13A. "Gasoline" means the same as defined  
20 in section 214A.1.

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

23 NEW SUBSECTION. 20A. "Nonethanol blended gasoline" means  
24 gasoline other than ethanol blended gasoline.

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

27 NEW SUBSECTION. 24B. "Retail motor fuel site" means the  
28 same as defined in section 214A.1.

29 Sec. 45. Section 452A.2, subsection 11, Code Supplement  
30 2005, is amended to read as follows:

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

34 Sec. 46. Section 452A.2, subsection 19, unnumbered  
35 paragraph 1, Code Supplement 2005, is amended to read as

1 follows:

2 "Motor fuel" means both motor fuel as defined in section  
3 214A.1 and includes all of the following:

4 Sec. 47. Section 452A.3, subsection 1A, Code 2005, is  
5 amended by striking the subsection and inserting in lieu  
6 thereof the following:

7 1A. Except as otherwise provided in this section and in  
8 this division, after June 30, 2007, this subsection shall  
9 apply to the excise tax imposed on each gallon of gasoline  
10 used for any purpose for the privilege of operating motor  
11 vehicles in this state. The amount of the excise tax is the  
12 applicable rate multiplied by each gallon of ethanol blended  
13 gasoline and nonethanol blended gasoline.

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

16 b. By March 1, following each key determination period as  
17 provided in section 452A.31, the department shall determine  
18 whether the biofuel percentage threshold has been met as  
19 provided in section 452A.34.

20 (1) If the biofuel threshold percentage has been met, the  
21 applicable rate of the excise tax is the base rate as provided  
22 in paragraph "a".

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

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

26 (i) Multiply the biofuel threshold disparity factor for  
27 that key determination period as provided in section 452A.34  
28 by two cents to obtain the resulting product.

29 (ii) Add the resulting product to the base rate as if the  
30 biofuel threshold percentage had been met as provided in  
31 paragraph "a" to obtain the resulting sum which is the special  
32 rate.

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

34 (i) If the biofuel threshold percentage has not been met  
35 during the first key determination period, the special rate is

1 effective beginning on July 1, 2010, and ending on June 30,  
2 2015.

3 (ii) If the biofuel threshold percentage has not been met  
4 during the second key determination period, the special rate  
5 is effective beginning on July 1, 2015, and ending on June 30,  
6 2020.

7 (iii) If the biofuel threshold percentage has not been met  
8 during the third key determination period, the special rate is  
9 effective beginning on July 1, 2020, and ending on June 30,  
10 2025.

11 (iv) If the biofuel threshold percentage has not been met  
12 during the fourth key determination period, the special rate  
13 is effective on and after July 1, 2025.

14 Sec. 48. NEW SECTION. 452A.31 SPECIAL TERMS.

15 For purposes of this division, all of the following shall  
16 apply:

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

19 b. A key determination period and key determination date  
20 are as follows:

21 (1) For the first key determination period, the period  
22 beginning January 1 and ending December 31, 2009, and for the  
23 first key determination date, March 1, 2010.

24 (2) For the second key determination period, the period  
25 beginning January 1 and ending December 31, 2014, and for the  
26 second key determination date, March 1, 2015.

27 (3) For the third key determination period, the period  
28 beginning January 1 and ending December 31, 2019, and for the  
29 third key determination date, March 1, 2020.

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

33 2. a. A retail dealer's total gasoline gallonage is the  
34 total number of gallons of gasoline, which the retail dealer  
35 sells and dispenses from all motor fuel pumps operated by the

1 retail dealer in this state during a twelve-month period  
2 beginning January 1 and ending December 31. The retail  
3 dealer's total gasoline gallonage is divided into the  
4 following classifications:

5 (1) The total ethanol blended gasoline gallonage which is  
6 the retail dealer's total number of gallons of ethanol blended  
7 gasoline and which includes all of the following  
8 subclassifications:

9 (a) The total E-xx gasoline gallonage which is the total  
10 number of gallons of ethanol blended gasoline other than E-85  
11 gasoline.

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

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

16 b. A retail dealer's total ethanol gallonage is the total  
17 number of gallons of ethanol which is a component of ethanol  
18 blended gasoline which the retail dealer sells and dispenses  
19 from motor fuel pumps as provided in paragraph "a" during a  
20 twelve-month period beginning January 1 and ending December  
21 31.

22 3. a. A retail dealer's total diesel fuel gallonage is  
23 the total number of gallons of diesel fuel, which the retail  
24 dealer sells and dispenses from all motor fuel pumps operated  
25 by the retail dealer in this state during a twelve-month  
26 period beginning January 1 and ending December 31. The retail  
27 dealer's total diesel fuel gallonage is divided into the  
28 following classifications:

29 (1) The total biodiesel blended fuel gallonage which is  
30 the retail dealer's total number of gallons of biodiesel  
31 blended fuel.

32 (2) The total nonblended diesel fuel gallonage which is  
33 the total number of gallons of diesel fuel which is not  
34 biodiesel or biodiesel blended fuel.

35 b. A retail dealer's total biodiesel gallonage is the

1 total number of gallons of biodiesel which may or may not be a  
2 component of biodiesel blended fuel, and which the retail  
3 dealer sells and dispenses from motor fuel pumps as provided  
4 in paragraph "a" during a twelve-month period beginning  
5 January 1 and ending December 31.

6 4. a. The aggregate gasoline gallonage is the total  
7 number of gallons of gasoline, which all retail dealers sell  
8 and dispense from all motor fuel pumps operated by the retail  
9 dealers in this state during a twelve-month period beginning

\*10 January 1 and ending December 31. The aggregate gasoline  
11 gallonage is divided into the following classifications:

12 (1) The aggregate ethanol blended gasoline gallonage which  
13 is the aggregate total number of gallons of ethanol blended  
14 gasoline and which includes all of the following  
15 subclassifications:

16 (a) The aggregate E-xx gasoline gallonage which is the  
17 aggregate total number of gallons of ethanol blended gasoline  
18 other than E-85 gasoline.

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

\*21 (2) The aggregate nonblended gasoline gallonage, which is  
\*22 the aggregate number of gallons of nonblended ethanol  
23 gasoline.

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

\*29 5. a. The aggregate diesel fuel gallonage is the total  
30 number of gallons of diesel fuel, which all retail dealers  
31 sell and dispense from all motor fuel pumps operated by the  
32 retail dealers in this state during a twelve-month period  
33 beginning January 1 and ending December 31. The aggregate  
34 diesel fuel gallonage is divided into the following  
35 classifications:

1 (1) The aggregate biodiesel blended fuel gallonage which  
2 is the aggregate number of gallons of biodiesel blended fuel.

3 (2) The aggregate nonblended diesel fuel gallonage which  
4 is the aggregate number of gallons of diesel fuel which is not  
5 biodiesel or biodiesel blended fuel.

6 b. The aggregate biodiesel gallonage is the total number  
7 of gallons of biodiesel which may or may not be a component of  
8 biodiesel blended fuel, and which all retail dealers sell and  
9 dispense from motor fuel pumps as provided in paragraph "a"  
10 during a twelve-month period beginning January 1 and ending  
11 December 31.

12 6. a. The aggregate ethanol distribution percentage is  
13 the aggregate ethanol gallonage expressed as a percentage of  
14 the aggregate gasoline gallonage calculated for a twelve-  
15 month period beginning January 1 and ending December 31.

16 b. The aggregate per gallon distribution percentage which  
17 is the aggregate ethanol blended gasoline gallonage expressed  
18 as a percentage of the aggregate gasoline gallonage.

19 7. a. The aggregate biodiesel distribution percentage is  
20 the aggregate biodiesel gallonage expressed as a percentage of  
21 the aggregate diesel fuel gallonage calculated for a twelve-  
22 month period beginning January 1 and ending December 31.

23 b. The aggregate per gallon distribution percentage is the  
24 aggregate biodiesel blended fuel gallonage expressed as a  
25 percentage of the aggregate diesel fuel gallonage.

26 8. The aggregate biofuel distribution percentage is the  
27 sum of the aggregate ethanol gallonage plus the aggregate  
28 biodiesel gallonage expressed as a percentage of the sum of  
29 the aggregate gasoline gallonage plus the aggregate diesel  
30 fuel gallonage.

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

34 b. The biofuel threshold percentage disparity is a  
35 positive percentage difference obtained by taking the minuend

1 which is the aggregate biofuel distribution percentage and  
2 subtracting from it the subtrahend which is the biofuel  
3 threshold percentage, as calculated for a key determination  
4 period as provided in section 452A.34.

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

8 Sec. 49. NEW SECTION. 452A.32 SCHEDULE FOR AVERAGING  
9 BIOFUEL CONTENT IN MOTOR FUEL.

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

19 2. The department shall establish a schedule listing the  
20 average amount of biodiesel contained in biodiesel blended  
21 fuel as defined in section 214A.1, for use by a retail dealer  
22 in calculating the retail dealer's total biodiesel gallonage,  
23 as provided in section 452A.31. In establishing the schedule,  
24 the department shall assume that a retail dealer begins  
25 selling and dispensing biodiesel blended fuel from a motor  
26 fuel pump on the first day of a month and ceases selling and  
27 distributing biodiesel blended fuel on the last day of a  
28 month.

29 Sec. 50. NEW SECTION. 452A.33 REPORTING REQUIREMENTS.

30 1. a. Each retail dealer shall report its total motor  
31 fuel gallonage for a determination period as follows:

32 (1) Its total gasoline gallonage and its total ethanol  
33 gallonage, including for each classification and  
34 subclassification as provided in section 452A.31.

35 (2) Its total diesel fuel gallonage and its total

1 biodiesel gallonage, including for each classification and  
2 subclassification as provided in section 452A.31.

3 b. The retail dealer shall prepare and submit the report  
4 in a manner and according to procedures required by the  
5 department. The department may require that retail dealers  
6 report to the department on an annual, quarterly, or monthly  
7 basis.

8 [ c. The information included in a report submitted by a  
9 retail dealer is deemed to be a trade secret, protected as a  
10 confidential record pursuant to section 22.7.]

11 2. On or before February 1 the department shall deliver a  
12 report to the governor and the legislative services agency.  
13 The report shall compile information reported by retail  
14 dealers to the department as provided in this section and  
15 shall at least include all of the following:

16 a. (1) The aggregate gasoline gallonage for the previous  
17 determination period, including for all classifications and  
18 subclassifications as provided in section 452A.31.

19 (2) The aggregate diesel fuel gallonage for the previous  
20 determination period, including for all classifications and  
21 subclassifications as provided in section 452A.31.

22 b. (1) The aggregate ethanol distribution percentage for  
23 the previous determination period.

24 (2) The aggregate biodiesel distribution percentage for  
25 the previous determination period.

26 c. (1) The projected aggregate gasoline gallonage, the  
27 aggregate ethanol gallonage, and the projected aggregate  
28 ethanol distribution percentage, for each future key  
29 determination period as provided in section 452A.34.

30 (2) The projected aggregate diesel fuel gallonage, the  
31 projected aggregate biodiesel gallonage, and the projected  
32 aggregate biodiesel distribution percentage, for each future  
33 key determination period as provided in section 452A.34.

34 (3) The projected aggregate biofuel gallonage and the  
35 projected aggregate biofuel distribution percentage, for each

1 future key determination period as provided in section  
2 452A.34.

3 d. The biofuel threshold percentage required for the next  
4 key determination period as provided in section 452A.34 and  
5 any projected biofuel threshold percentage disparity,  
6 including the amount of additional biofuel required to be sold  
7 and dispensed from all motor fuel pumps located at all retail  
8 motor fuel sites in this state in order to meet the next  
9 biofuel threshold percentage.

10 [e. The report shall not provide information regarding  
11 motor fuel or biofuel which is sold and dispensed by an  
12 individual retail dealer or at a particular retail motor fuel  
13 site. The report shall not include a trade secret protected  
14 as a confidential record pursuant to section 22.7.]

15 3. On or before February 1 of each year, the state  
16 department of transportation shall deliver a report to the  
17 governor and the legislative services agency providing  
18 information regarding flexible fuel vehicles registered in  
19 this state during the previous determination period. The  
20 information shall state all of the following:

21 a. The aggregate number of flexible fuel vehicles.  
22 b. Of the aggregate number of flexible fuel vehicles, all  
23 of the following:

24 (1) The number of flexible fuel vehicles according to the  
25 year of manufacture.

26 (2) The number of passenger vehicles and the number of  
27 passenger vehicles according to the year of manufacture.

28 (3) The number of light pickup trucks and the number of  
29 light pickup trucks according to the year of manufacture.

30 Sec. 51. NEW SECTION. 452A.34 BIOFUEL THRESHOLD  
31 PERCENTAGES.

32 1. The department shall determine whether a biofuel  
33 threshold percentage has been met on the following key  
34 determination dates:

35 a. On March 1, 2010, the department must determine that

1 the aggregate biofuel distribution percentage was at least ten  
2 percent in order to meet the first biofuel threshold  
3 percentage for the key determination period beginning on  
4 January 1, 2009, and ending December 31, 2009.

5 b. On March 1, 2015, the department must determine that  
6 the aggregate biofuel distribution percentage was at least  
7 fifteen percent in order to meet the second biofuel threshold  
8 percentage for the key determination period beginning on  
9 January 1, 2014, and ending December 31, 2014.

10 c. On March 1, 2020, the department must determine that  
11 the aggregate biofuel distribution percentage was at least  
12 twenty percent in order to meet the third biofuel threshold  
13 percentage for the key determination period beginning on  
14 January 1, 2019, and ending December 31, 2019.

15 d. On March 1, 2025, the department must determine that  
16 the aggregate biofuel distribution percentage was at least  
17 twenty-five percent in order to meet the fourth biofuel  
18 threshold percentage for the key determination period  
19 beginning on January 1, 2024, and ending December 31, 2024.

20 2. If on a key determination date, a biofuel threshold  
21 percentage has not been met, the department shall calculate  
22 the biofuel threshold percentage disparity and the resulting  
23 biofuel threshold disparity factor as provided in section  
24 452A.31 which shall be used to determine the special rate of  
25 the excise tax imposed on each gallon of nonethanol blended  
26 gasoline as provided in section 452A.3.

27 DIVISION VI

28 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

29 Sec. 52. Section 8A.362, subsection 3, Code 2005, is  
30 amended to read as follows:

31 3. a. The director shall provide for a record system for  
32 the keeping of records of the total number of miles state-  
33 owned motor vehicles are driven and the per-mile cost of  
34 operation of each motor vehicle. Every state officer or  
35 employee shall keep a record book to be furnished by the

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

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

32 Sec. 53. Section 8A.362, subsection 5, paragraph a,  
33 subparagraphs (1) and (2), Code 2005, are amended to read as  
34 follows:

35 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent~~ E-85

1 gasoline and-at-least-eighty-five-percent-ethanol as provided  
2 in section 214A.2.

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

7 Sec. 54. Section 216B.3, subsection 16, paragraph a, Code  
8 2005, is amended to read as follows:

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

21 Sec. 55. Section 216B.3, subsection 16, paragraph b,  
22 subparagraph (1), subparagraph subdivisions (a) and (b), Code  
23 2005, are amended to read as follows:

24 (a) A-fuel-blended-with-not-more-than-fifteen-percent E-85  
25 gasoline and-at-least-eighty-five-percent-ethanol as provided  
26 in section 214A.2.

27 (b) A B-20 biodiesel blended fuel which-is-a-mixture-of  
28 diesel-fuel-and-processed-soybean-oil as provided in section  
29 214A.2. At-least-twenty-percent-of-the-mixed-fuel-by-volume  
30 must-be-processed-soybean-oil.

31 Sec. 56. Section 260C.19A, subsection 1, Code 2005, is  
32 amended to read as follows:

33 1. A motor vehicle purchased by or used under the  
34 direction of the board of directors to provide services to a  
35 merged area shall not operate on gasoline other than ethanol

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

8 Sec. 57. Section 260C.19A, subsection 2, paragraph a,  
9 subparagraphs (1) and (2), Code 2005, are amended to read as  
10 follows:

11 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~  
12 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as provided  
13 in section 214A.2.

14 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
15 ~~diesel-fuel-and-processed-soybean-oil~~ as provided in section  
16 214A.2. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume~~  
17 ~~must-be-processed-soybean-oil.~~

18 Sec. 58. Section 262.25A, subsection 2, Code 2005, is  
19 amended to read as follows:

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

33 Sec. 59. Section 262.25A, subsection 3, paragraph a,  
34 subparagraphs (1) and (2), Code 2005, are amended to read as  
35 follows:

1 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~  
2 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as provided  
3 in section 214A.2.

4 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
5 ~~processed-soybean-oil-and-diesel-fuel~~ as provided in section  
6 214A.2. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~  
7 ~~processed-soybean-oil.~~

8 Sec. 60. Section 279.34, Code 2005, is amended to read as  
9 follows:

10 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
11 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

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

23 Sec. 61. Section 307.21, subsection 4, paragraph d, Code  
24 2005, is amended to read as follows:

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

1 purposes of providing law enforcement or security.

2 Sec. 62. Section 307.21, subsection 5, paragraph a,  
3 subparagraphs (1) and (2), Code 2005, are amended to read as  
4 follows:

5 (1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85~~  
6 ~~gasoline and-at-least-eighty-five-percent-ethanol~~ as provided  
7 in section 214A.2.

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

12 Sec. 63. Section 331.908, Code 2005, is amended to read as  
13 follows:

14 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~  
15 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

16 A motor vehicle purchased or used by a county to provide  
17 county services shall not~~7-on-or-after-January-17-1993~~  
18 operate on gasoline other than ethanol blended gasoline  
19 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in  
20 section 214A.1. The motor vehicle shall also be affixed with  
21 a brightly visible sticker which notifies the traveling public  
22 that the motor vehicle is being operated on ethanol blended  
23 ~~gasoline blended-with-ethanol~~. However, the sticker is not  
24 required to be affixed to an unmarked vehicle used for  
25 purposes of providing law enforcement or security.

26 Sec. 64. Section 364.20, Code 2005, is amended to read as  
27 follows:

28 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~  
29 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

30 A motor vehicle purchased or used by a city to provide city  
31 services shall not~~7-on-or-after-January-17-1993~~, operate on  
32 gasoline other than ethanol blended gasoline ~~blended-with-at~~  
33 ~~least-ten-percent-ethanol~~ as defined in section 214A.1. The  
34 motor vehicle shall also be affixed with a brightly visible  
35 sticker which notifies the traveling public that the motor

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

5 Sec. 65. Section 904.312A, subsection 1, Code 2005, is  
6 amended to read as follows:

7 1. A motor vehicle purchased by the department shall not  
8 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. 66. Section 904.312A, subsection 2, 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 provided  
24 in section 214A.2.

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

29 DIVISION VII

30 COORDINATING PROVISIONS -- MISCELLANEOUS

31 Sec. 67. Section 15.401, Code Supplement 2005, is amended  
32 to read as follows:

33 15.401 E-85-BLENDED-GASOLINE RENEWABLE FUELS.

34 \* 1. As used in this section, unless the context otherwise  
35 requires, "biodiesel", "biodiesel blended fuel", "E-85

1 gasoline", and "retail motor fuel site" mean the same as  
2 defined in section 214A.1.

3 2. The department shall provide a cost-share program for  
4 financial incentives for the installation or conversion of  
5 infrastructure used by ~~service-stations~~ retail motor fuel  
6 sites to do all of the following:

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

9 b. Install or convert infrastructure required to establish  
10 on-site and off-site terminal facilities that store biodiesel  
11 or biodiesel blended fuel for distribution to ~~service-stations~~  
12 retail motor fuel sites.

13 3. The department shall provide for an addition of at  
14 least thirty new or converted E-85 gasoline retail outlets and  
15 four new or converted on-site or off-site terminal facilities  
16 with a maximum expenditure of three hundred twenty-five  
17 thousand dollars per year for the fiscal period beginning July  
18 1, 2005, and ending June 30, 2008. The department may provide  
19 for the marketing of these products in conjunction with this  
20 infrastructure program.

21 Sec. 68. Section 159A.2, Code 2005, is amended by adding  
22 the following new subsections:

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

25 NEW SUBSECTION. 3A. "Department" means the department of  
26 agriculture and land stewardship.

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

29 Sec. 69. Section 159A.2, subsection 6, Code 2005, is  
30 amended by striking the subsection and inserting in lieu  
31 thereof the following:

32 6. "Renewable fuel" means the same as defined in section  
33 214A.1.

34 Sec. 70. Section 159A.2, subsection 8, Code 2005, is  
35 amended by striking the subsection.

1 Sec. 71. Section 159A.3, subsection 3, Code 2005, is  
2 amended to read as follows:

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

8 b. The office shall promote the production and consumption  
9 of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this  
10 state.

11 Sec. 72. Section 214A.19, subsection 1, unnumbered  
12 paragraph 1, Code 2005, is amended to read as follows:

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

23 Sec. 73. Section 307.20, Code 2005, is amended to read as  
24 follows:

25 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING  
26 FUND.

27 1. A biodiesel and biodiesel blended fuel revolving fund  
28 is created in the state treasury. The biodiesel and biodiesel  
29 blended fuel revolving fund shall be administered by the  
30 department and shall consist of moneys received from the sale  
31 of EPAct credits banked by the department on April 19, 2001,  
32 moneys appropriated by the general assembly, and any other  
33 moneys obtained or accepted by the department for deposit in  
34 the fund. Moneys in the fund are appropriated to and shall be  
35 used by the department for the purchase of biodiesel and

1 biodiesel blended fuel for use in department vehicles. The  
2 department shall submit an annual report not later than  
3 January 31 to the members of the general assembly and the  
4 legislative services agency, of the expenditures made from the  
5 fund during the preceding fiscal year. Section 8.33 does not  
6 apply to any moneys in the fund and, notwithstanding section  
7 12C.7, subsection 2, earnings or interest on moneys deposited  
8 in the fund shall be credited to the fund.

9 2. A department departmental motor vehicle operating on  
10 using biodiesel or biodiesel blended fuel shall be affixed  
11 with a brightly visible sticker that notifies the traveling  
12 public that the motor vehicle uses biodiesel blended fuel.

13 3. For purposes of this section the following definitions  
14 apply:

15 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"  
16 ~~means-soydiesel-fuel~~ mean the same as defined in section  
17 ~~159A-2~~ 214A.1.

18 b. "EPact credit" means a credit issued pursuant to the  
19 federal Energy Policy Act (EPact), 42 U.S.C. § 13201 et seq.  
20 Sec. 74. Section 452A.2, subsection 3, Code Supplement  
21 2005, is amended to read as follows:

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

31 Sec. 75. Section 452A.2, Code Supplement 2005, is amended  
32 by adding the following new subsection:

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

35 Sec. 76. Section 452A.2, subsection 11, Code Supplement

1 2005, is amended to read as follows:

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

5 Sec. 77. Section 452A.2, subsection 19, unnumbered  
6 paragraph 1, Code Supplement 2005, is amended to read as  
7 follows:

8 "Motor fuel" means both motor fuel as defined in section  
9 214A.1 and includes all of the following:

10 Sec. 78. Section 452A.2, subsection 21, Code Supplement  
11 2005, is amended to read as follows:

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

21 Sec. 79. Section 452A.3, subsection 1B, Code Supplement  
22 2005, is amended to read as follows:

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

31 Sec. 80. Section 452A.6, Code 2005, is amended to read as  
32 follows:

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

35 1. a. A person other than a supplier, restrictive

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

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

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

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

18 DIVISION VIII

19 CHANGE OF TERMS

20 Sec. 81. CHANGE OF TERMS.

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

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

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

34 4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and  
35 214A.10, Code 2005, are amended by striking from the

1 provisions the words "oxygenate octane enhancer" and inserting  
2 the following: "oxygenate".

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- 1 Amend House File 2754, as amended, passed, and  
2 reprinted by the House, as follows:
- 3 1. Page 1, line 4, by striking the figure "2025"  
4 and inserting the following: "2020, all".
- 5 2. Page 1, by inserting after line 6 the  
6 following:
- 7 "Sec. \_\_\_\_\_. Section 214.1, subsections 1 through 3,  
8 Code 2005, are amended by striking the subsections and  
9 inserting in lieu thereof the following:
- 10 1. "Commercial weighing and measuring device" or  
11 "device" means the same as defined in section 215.26.
- 12 2. "Motor fuel" means the same as defined in  
13 section 214A.1.
- 14 3. "Motor fuel pump" means a pump, meter, or  
15 similar commercial weighing and measuring device used  
16 to measure and dispense motor fuel on a retail basis.
- 17 4. "Retail dealer" means the same as defined in  
18 section 214A.1.
- 19 5. "Wholesale dealer" means the same as defined in  
20 section 214A.1."
- 21 3. Page 1, line 20, by striking the word  
22 "constituent" and inserting the following:  
23 "component".
- 24 4. Page 3, line 14, by inserting after the word  
25 "site" the following: "including a permanent or  
26 mobile location".
- 27 5. Page 4, line 7, by striking the word  
28 "registration".
- 29 6. Page 4, by striking lines 17 through 22 and  
30 inserting the following:
- 31 "(\_\_\_\_) Ethanol must be an agriculturally derived  
32 ethyl alcohol that meets A.S.T.M. international  
33 specification D 4806 for denatured fuel ethanol for  
34 blending with gasoline for use as automotive spark-  
35 ignition engine fuel, or a successor A.S.T.M.  
36 international specification, as established by rules  
37 adopted by the department."
- 38 7. By striking page 4, line 26, through page 5,  
39 line 1, and inserting the following:
- 40 "(\_\_\_\_) E-85 gasoline must be an agriculturally  
41 derived ethyl alcohol that meets A.S.T.M.  
42 international specification D 5798, described as a  
43 fuel blend for use in ground vehicles with automotive  
44 spark-ignition engines, or a successor A.S.T.M.  
45 international specification, as established by rules  
46 adopted by the department."
- 47 8. Page 5, line 11, by striking the words  
48 "biodiesel or biodiesel blended" and inserting the  
49 following: "diesel".
- 50 9. Page 5, line 12, by striking the word

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1 "registration".

2 10. Page 5, line 16, by striking the word "The"  
3 and inserting the following: "If the motor fuel is  
4 advertised for sale or sold as biodiesel or biodiesel  
5 blended fuel, the".

6 11. Page 6, line 32, by inserting after the word  
7 "gasoline." the following: "However, a person  
8 advertising E-10 gasoline may only designate it as  
9 ethanol blended gasoline."

10 12. Page 7, by inserting after line 4 the  
11 following:

12 "Sec. \_\_\_\_ . Section 214A.5, Code 2005, is amended  
13 to read as follows:

14 214A.5 SALES SLIP ON DEMAND.

15 ~~Each~~ A wholesale dealer or retail dealer in this  
16 state shall, when making a sale of motor vehicle fuel,  
17 give to ~~each~~ a purchaser upon demand a sales slip.  
18 ~~upon which must be printed the words "This motor~~  
19 ~~vehicle fuel conforms to the standard of~~  
20 ~~specifications required by the state of Iowa." Each~~  
21 ~~wholesale dealer in this state shall, when making a~~  
22 ~~sale of oxygenate octane enhancer, give to each~~  
23 ~~purchaser upon demand a sales slip upon which must be~~  
24 ~~printed the words "This oxygenate octane enhancer~~  
25 ~~conforms to the standard specifications required by~~  
26 ~~the state of Iowa."~~

27 Sec. \_\_\_\_ . Section 214A.7, Code 2005, is amended to  
28 read as follows:

29 214A.7 DEPARTMENT INSPECTION -- SAMPLES TESTED.

30 The department, ~~its agents or employees,~~ shall,  
31 from time to time, make or cause to be made tests of  
32 any motor vehicle fuel or oxygenate octane enhancer  
33 which is being sold, or held or offered for sale  
34 within this state, ~~and for such purposes the~~  
35 ~~inspectors have the right to.~~ An inspector may enter  
36 upon the premises of any wholesale dealer or retail  
37 dealer ~~of motor vehicle fuel or oxygenate octane~~  
38 ~~enhancer within this state, and to take from any~~  
39 container a sample of the motor vehicle fuel or  
40 oxygenate octane enhancer, not to exceed ~~eight~~ sixteen  
41 fluid ounces. The sample shall be sealed and  
42 appropriately marked or labeled by the inspector and  
43 delivered to the department. The department shall  
44 make, or cause to be made, complete analyses or tests  
45 of the motor vehicle fuel or oxygenate octane enhancer  
46 by the methods specified in section 214A.2."

47 13. Page 7, line 9, by striking the words "an  
48 oxygenate" and inserting the following: "~~oxygenate~~".

49 14. Page 7, line 10, by inserting after the word  
50 "~~enhancer~~" the following: "biofuel".

1 15. Page 7, by striking lines 13 through 18 and  
2 inserting the following:  
3 "Sec. \_\_\_\_ Section 214A.11, Code 2005, is amended  
4 to read as follows:

5 214A.11 VIOLATIONS PENALTIES.

6 1. Any Except as provided in subsection 2, a  
7 person violating the provisions who violates a  
8 provision of this chapter shall be is guilty of a  
9 simple misdemeanor. Each day that a continuing  
10 violation occurs shall be considered a separate  
11 offense.

12 2. The state may proceed against a person who  
13 violates this chapter by initiating an alternative  
14 civil enforcement action in lieu of a prosecution.  
15 The alternative civil enforcement action may be  
16 brought against the person as a contested case  
17 proceeding by the department under chapter 17A or as a  
18 civil judicial proceeding by the attorney general upon  
19 referral by the department. The department may  
20 impose, assess, and collect the civil penalty. The  
21 civil penalty shall be for at least one hundred  
22 dollars but not more than one thousand dollars for  
23 each violation. Each day that a continuing violation  
24 occurs shall be considered a separate offense.

25 a. Except as provided in paragraph "b", the state  
26 is precluded from prosecuting a violation pursuant to  
27 subsection 1, if the state is a party in the  
28 alternative civil enforcement action, the department  
29 has made a final decision in the contested case  
30 proceeding, or a court has entered a final judgment.

31 b. If a party to an alternative civil enforcement  
32 action fails to pay the civil penalty to the  
33 department within thirty days after the party has  
34 exhausted the party's administrative remedies and the  
35 party has not sought judicial review in accordance  
36 with section 17A.19, the department may order that its  
37 final decision be vacated. When the department's  
38 final decision is vacated, the state may initiate a  
39 criminal prosecution, but shall be precluded from  
40 bringing an alternative civil enforcement action. If  
41 a party to an alternative civil enforcement action  
42 fails to pay the civil penalty within thirty days  
43 after a court has entered a final judgment, the  
44 department may request that the attorney general  
45 petition the court to vacate its final judgment. When  
46 the court's judgment has been vacated, the state may  
47 initiate a criminal prosecution, but shall be  
48 precluded from bringing an alternative civil  
49 enforcement action."

50 16. Page 11, by striking line 20 and inserting

1 the following:

2 "\_\_\_\_\_. As used in this section, unless the context  
3 otherwise requires:

4 \_\_\_\_\_. "E-85 gasoline and "retail dealer" mean the  
5 same as defined in section 214A.1.

6 \_\_\_\_\_. "Gasoline storage and".

7 17. Page 11, line 25, by striking the words "as  
8 defined in section 214A.1".

9 18. Page 11, line 30, by inserting after the word  
10 "department" the following: "of natural resources  
11 under this chapter or the state fire marshal under  
12 chapter 101, division II".

13 19. Page 11, line 34, by striking the word  
14 "equipment" and inserting the following: "dispenser".

15 20. Page 12, line 6, by inserting after the word  
16 "equipment" the following: "for use in dispensing E-  
17 85 gasoline".

18 21. Page 12, lines 9 and 10, by striking the  
19 words "department of public safety" and inserting the  
20 following: "state fire marshal".

21 22. Page 12, line 14, by striking the words  
22 "department of public safety" and inserting the  
23 following: "state fire marshal".

24 23. Page 12, by inserting after line 15 the  
25 following:

26 "Sec. \_\_\_\_\_. CONFLICT WITH OTHER ACT. If the  
27 Eighty-first General Assembly enacts House File 2793  
28 or any other Act that amends section 214.1 in a manner  
29 that conflicts with the amendments in this Act to  
30 section 214.1, the provisions of this Act shall  
31 prevail."

32 24. Page 12, by inserting after line 32 the  
33 following:

34 "\_\_\_\_\_. "Department" means the Iowa department of  
35 economic development created in section 15.105."

36 25. Page 13, line 7, by inserting after the word  
37 "biodiesel" the following: "that is stored on-site or  
38 off-site in bulk and".

39 26. Page 13, line 9, by inserting after the word  
40 "which" the following: "storage and distribution  
41 facility".

42 27. Page 13, by inserting after line 20 the  
43 following:

44 "\_\_\_\_\_. "Underground storage tank fund board" means  
45 the Iowa comprehensive petroleum underground storage  
46 tank fund board established pursuant to section  
47 455G.4."

48 28. Page 13, line 32, by striking the word "nine"  
49 and inserting the following: "eleven".

50 29. Page 13, by inserting after line 35 the

1 following:

2 "\_\_\_\_. One person representing the petroleum  
3 industry who is knowledgeable about issues relating to  
4 petroleum refining, terminal operations, and petroleum  
5 or motor fuel distribution."

6 30. Page 14, line 1, by striking the word "Eight"  
7 and inserting the following: "Nine".

8 31. Page 14, by inserting after line 11 the  
9 following:

10 "(\_\_\_\_) The Iowa grocery industry association."

11 32. Page 14, line 29, by striking the word "five"  
12 and inserting the following: "six".

13 33. Page 14, by inserting after line 30 the  
14 following:

15 "\_\_\_\_. The infrastructure board shall meet with  
16 three or more members of the underground storage tank  
17 fund board who shall represent the underground storage  
18 tank fund board. The representatives shall be  
19 available to advise the infrastructure board when the  
20 infrastructure board makes decisions regarding the  
21 awarding of financial incentives to a person under a  
22 renewable fuel infrastructure program provided in  
23 section 15G.116 or 15G.117."

24 34. Page 14, line 34, by striking the word "Five"  
25 and inserting the following: "Six".

26 35. Page 15, line 16, by inserting after the word  
27 "dispense" the following: "renewable fuel which is".

28 36. Page 15, by striking lines 19 through 26 and  
29 inserting the following:

30 "2. A person may apply to the department to  
31 receive financial incentives on a cost-share basis.  
32 The department shall forward the applications to the  
33 underground storage tank fund board as required by  
34 that board for evaluation and recommendation. The  
35 underground storage tank fund board may rank the  
36 recommended applications with comments and shall  
37 forward them to the infrastructure board for approval  
38 or disapproval. The department shall award financial  
39 incentives on a cost-share basis to an eligible person  
40 whose application as recommended by the underground  
41 storage tank fund board was approved by the  
42 infrastructure board.

43 3. To all extent practical, the program shall be  
44 administered in conjunction with the programs provided  
45 in section 15.401."

46 37. Page 16, by striking lines 31 through 33 and  
47 inserting the following: "to perform a new site  
48 assessment unless a new release occurs or if a  
49 previously unknown or unforeseen risk condition should  
50 arise."

1 38. By striking page 16, line 34, through page  
2 17, line 4, and inserting the following:  
3 "\_\_\_\_\_. The infrastructure board shall not approve a  
4 cost-".

5 39. Page 17, line 7, by striking the words "or  
6 motor fuel pump".

7 40. Page 17, by striking lines 17 through 25 and  
8 inserting the following: "exceed fifty percent of the  
9 actual cost of making the improvement or thirty  
10 thousand dollars, whichever is less. The  
11 infrastructure board may approve multiple awards to  
12 make improvements to a retail motor fuel site so long  
13 as the total amount of the awards does not exceed the  
14 limitations provided in this paragraph."

15 41. Page 17, line 26, by striking the word "c."  
16 and inserting the following: "7."

17 42. Page 17, by striking lines 27 and 28 and  
18 inserting the following: "to store and dispense motor  
19 fuel other than the type of renewable fuel approved by  
20 the board in the cost-share agreement, unless one of  
21 the".

22 43. Page 17, line 30, by striking the figure  
23 "(1)" and inserting the following: "a."

24 44. Page 17, line 34, by striking the figure  
25 "(2)" and inserting the following: "b."

26 45. Page 17, line 34, by striking the words  
27 "infrastructure fund" and inserting the following:  
28 "renewable fuel infrastructure fund if created in 2006  
29 Iowa acts, House File 2759".

30 46. Page 18, line 2, by inserting after the word  
31 "amount." the following: "The amount shall be  
32 deposited in the renewable fuel infrastructure fund if  
33 created in 2006 Iowa acts, House File 2759."

34 47. Page 18, line 3, by striking the word "d."  
35 and inserting the following: "8."

36 48. Page 18, by striking lines 9 through 11.

37 49. Page 18, by striking lines 15 through 17 and  
38 inserting the following: "infrastructure board  
39 created in section 15G.115 shall".

40 50. Page 18, by striking lines 25 through 30 and  
41 inserting the following:

42 "\_\_\_\_\_. A person may apply to the department to  
43 receive financial incentives on a cost-share basis.  
44 The department shall forward the applications to the  
45 underground storage tank fund board as required by  
46 that board for evaluation and recommendation. The  
47 underground storage tank fund board may rank the  
48 recommended applications with comments and shall  
49 forward them to the infrastructure board for approval  
50 or disapproval. The department shall award financial

1 incentives on a cost-share basis to an eligible person  
2 whose application as recommended by the underground  
3 storage tank fund board was approved by the  
4 infrastructure board.

5 \_\_\_\_\_. To all extent practical, the program shall be  
6 administered in conjunction with the programs provided  
7 in section 15.401."

8 51. Page 19, by striking lines 16 through 25 and  
9 inserting the following:

10 "\_\_\_\_\_. An award of financial incentives to a  
11 participating person shall be in the form of a grant.  
12 In order to participate in the program an eligible  
13 person must execute a cost-share agreement with the  
14 department as approved by the infrastructure board in  
15 which the person contributes a percentage of the total  
16 costs related to improving the terminal. The  
17 financial incentives awarded to the participating  
18 person shall not exceed fifty percent of the actual  
19 cost of making the improvements or fifty thousand  
20 dollars, whichever is less. The infrastructure board  
21 may approve multiple awards to make improvements to a  
22 terminal so long as the total amount of the awards  
23 does not exceed the limitations provided in this  
24 subsection."

25 52. Page 19, line 34, by striking the words  
26 "infrastructure fund" and inserting the following:  
27 "renewable fuel infrastructure fund if created in 2006  
28 Iowa acts, House File 2759".

29 53. Page 20, line 2, by inserting after the word  
30 "amount." the following: "The amount shall be  
31 deposited in the renewable fuel infrastructure fund if  
32 created in 2006 Iowa acts, House File 2759 ."

33 54. Page 20, by inserting after line 8, the  
34 following:

35 "Sec. \_\_\_\_\_. NEW SECTION. 15G.120 REPORT.

36 1. By January 15 of each year, the renewable fuel  
37 infrastructure board shall approve that part of the  
38 department's report required to be submitted to the  
39 governor and general assembly by the department  
40 regarding projects supported from the grow Iowa values  
41 fund as provided in section 15.104 which provides  
42 information regarding expenditures to support  
43 renewable fuel infrastructure programs as provided in  
44 sections 15G.116 and 15G.117. That part of the report  
45 approved by the board shall include the same  
46 information as required for business finance projects  
47 funded during the previous fiscal year.

48 2. This section is repealed on July 1, 2012.

49 Sec. \_\_\_\_\_. DEPARTMENTAL STUDY -- E-85 GASOLINE  
50 AVAILABILITY. The state department of transportation

1 and the department of natural resources shall  
2 cooperate to conduct a study to provide methods to  
3 inform persons of the availability of E-85 gasoline  
4 offered for sale and distribution by retail dealers of  
5 motor fuel in this state, including the location of  
6 each retail motor fuel site where a retail dealer  
7 offers E-85 gasoline for sale and distribution. The  
8 department's study shall include methods for  
9 identifying those locations for the convenience of the  
10 traveling public including but not limited to the  
11 identification of those locations on roadside signs  
12 and on the official Iowa map published pursuant to  
13 section 307.14. The departments shall jointly prepare  
14 and deliver a report to the governor and general  
15 assembly, which includes findings and recommendations,  
16 not later than January 10, 2007.

17 Sec. \_\_\_\_\_. EMERGENCY RULES. The Iowa department of  
18 economic development and the Iowa comprehensive  
19 petroleum underground storage tank fund board shall  
20 adopt emergency rules under section 17A.4, subsection  
21 2, and section 17A.5, subsection 2, paragraph "b", to  
22 implement the provisions of this division and the  
23 rules shall be effective immediately upon filing, but  
24 not later than June 1, 2006. Any rules adopted in  
25 accordance with this section shall also be published  
26 as a notice of intended action as provided in section  
27 17A.4, subsection 1."

28 55. Page 20, line 15, by striking the words "and  
29 "retail dealer"" and inserting the following:  
30 ""retail dealer", and "retail motor fuel site"".

31 56. Page 20, lines 17 and 18, by striking the  
32 words "as motor vehicle fuel pump".

33 57. Page 20, by striking lines 19 and 20.

34 58. Page 21, by striking lines 9 through 16, and  
35 inserting the following:

36 "3A. A retail dealer is eligible to claim a  
37 designated ethanol blended gasoline tax credit as  
38 provided in this section even though the retail dealer  
39 claims an E-85 gasoline promotion tax credit pursuant  
40 to section 422.110 for the same tax year for the same  
41 ethanol gallonage."

42 59. Page 21, line 20 by striking the figure  
43 "2007" and inserting the following: "2009".

44 60. Page 21, line 26, by striking the words  
45 ""motor fuel pump",".

46 61. Page 21, by inserting after line 27 the  
47 following:

48 "\_\_\_\_\_. "Flexible fuel vehicle" means the same as  
49 defined in section 452A.2.

50 \_\_\_\_\_. "Motor fuel" means the same as defined in

1 section 452A.2.

2         . "Motor fuel pump" means the same as defined  
3 in section 214.1."

4 63. Page 21, by inserting after line 30 the  
5 following:

6 "        . The special terms provided in section  
7 452A.31 shall also apply to this section."

8 64. By striking page 22, line 9, through page 23,  
9 line 11, and inserting the following:

10 "a. The retail dealer's biofuel distribution  
11 percentage which is the sum of the retail dealer's  
12 total ethanol gallonage plus the retail dealer's total  
13 biodiesel gallonage expressed as a percentage of the  
14 retail dealer's total gasoline gallonage, in the  
15 retail dealer's applicable determination period.

16 b. The retail dealer's biofuel threshold  
17 percentage is as follows:

18 (1) For a retail dealer who sells and dispenses  
19 more than two hundred thousand gallons of motor fuel  
20 in an applicable determination period, the retail  
21 dealer's biofuel threshold percentage is as follows:

22 (a) Ten percent for the determination period  
23 beginning on January 1, 2009, and ending December 31,  
24 2009.

25 (b) Eleven percent for the determination period  
26 beginning on January 1, 2010, and ending December 31,  
27 2010.

28 (c) Twelve percent for the determination period  
29 beginning on January 1, 2011, and ending December 31,  
30 2011.

31 (d) Thirteen percent for the determination period  
32 beginning on January 1, 2012, and ending December 31,  
33 2012.

34 (e) Fourteen percent for the determination period  
35 beginning on January 1, 2013, and ending December 31,  
36 2013.

37 (f) Fifteen percent for the determination period  
38 beginning on January 1, 2014, and ending December 31,  
39 2014.

40 (g) Seventeen percent for the determination period  
41 beginning on January 1, 2015, and ending December 31,  
42 2015.

43 (h) Nineteen percent for the determination period  
44 beginning on January 1, 2016, and ending December 31,  
45 2016.

46 (i) Twenty-one percent for the determination  
47 period beginning on January 1, 2017, and ending  
48 December 31, 2017.

49 (j) Twenty-three percent for the determination  
50 period beginning on January 1, 2018, and ending

1 December 31, 2018.

2 (k) Twenty-five percent for each determination  
3 period beginning on and after January 1, 2019.

4 (2) For a retail dealer who sells and dispenses  
5 two hundred thousand gallons of motor fuel or less in  
6 an applicable determination period, the biofuel  
7 threshold percentages shall be:

8 (a) Six percent for the determination period  
9 beginning on January 1, 2009, and ending December 31,  
10 2009.

11 (b) Six percent for the determination period  
12 beginning on January 1, 2010, and ending December 31,  
13 2010.

14 (c) Ten percent for the determination period  
15 beginning on January 1, 2011, and ending December 31,  
16 2011.

17 (d) Eleven percent for the determination period  
18 beginning on January 1, 2012, and ending December 31,  
19 2012.

20 (e) Twelve percent for the determination period  
21 beginning on January 1, 2013, and ending December 31,  
22 2013.

23 (f) Thirteen percent for the determination period  
24 beginning on January 1, 2014, and ending December 31,  
25 2014.

26 (g) Fourteen percent for the determination period  
27 beginning on January 1, 2015, and ending December 31,  
28 2015.

29 (h) Fifteen percent for the determination period  
30 beginning on January 1, 2016, and ending December 31,  
31 2016.

32 (i) Seventeen percent for the determination period  
33 beginning on January 1, 2017, and ending December 31,  
34 2017.

35 (j) Nineteen percent for the determination period  
36 beginning on January 1, 2018, and ending December 31,  
37 2018.

38 (k) Twenty-one percent for the determination  
39 period beginning on January 1, 2019, and ending  
40 December 31, 2019.

41 (l) Twenty-three percent for the determination  
42 period beginning on January 1, 2020, and ending  
43 December 31, 2020.

44 (m) Twenty-five percent for each determination  
45 period beginning on and after January 1, 2021.

46 (3) Notwithstanding paragraph "a", the department  
47 of agriculture and land stewardship may adjust a  
48 biofuel threshold percentage for a determination  
49 period if the department finds that exigent  
50 circumstances exist. Exigent circumstances exist due

1 to potential substantial economic injury to the  
2 state's economy. Exigent circumstances also exist if  
3 it is probable that a substantial number of retail  
4 dealers cannot comply with a biofuel threshold  
5 percentage during a determination period due to any of  
6 the following:

7 (a) Less than the target number of flexible fuel  
8 vehicles are registered under chapter 321. The target  
9 numbers of flexible fuel vehicles are as follows:

10 (i) On January 1, 2011, two hundred fifty  
11 thousand.

12 (ii) On January 1, 2014, three hundred fifty  
13 thousand.

14 (iii) On January 1, 2017, four hundred fifty  
15 thousand.

16 (iv) On January 1, 2019, five hundred fifty  
17 thousand.

18 (b) A shortage in the biofuel feedstock resulting  
19 in a dramatic decrease in biofuel inventories.

20 If the governor finds that exigent circumstances  
21 exist, the department may reduce the applicable  
22 biofuel threshold percentage by replacing it with an  
23 adjusted biofuel threshold percentage. The governor  
24 shall consult with the department of revenue and the  
25 renewable fuels and coproducts advisory committee  
26 established pursuant to section 159A.4. The governor  
27 shall make the adjustment by giving notice of intent  
28 to issue a proclamation which shall take effect not  
29 earlier than thirty-five days after publication in the  
30 Iowa administrative bulletin of a notice to issue the  
31 proclamation. The governor shall provide a period of  
32 notice and comment in the same manner as provided in  
33 section 17A.4, subsection 1. The adjusted biofuel  
34 threshold percentage shall be effective for the  
35 following determination period.

36 c. The retail dealer's biofuel threshold  
37 percentage disparity which is a positive percentage  
38 difference obtained by taking the minuend which is the  
39 retail dealer's biofuel distribution percentage and  
40 subtracting from it the subtrahend which is the retail  
41 dealer's biofuel threshold percentage, in the retail  
42 dealer's applicable determination period.

43 \_\_\_\_\_. a. For a retail dealer whose tax year is the  
44 same as a determination period beginning on January 1  
45 and ending on December 31, the retail dealer's tax  
46 credit is calculated by multiplying the retail  
47 dealer's total ethanol gallonage by a tax credit rate,  
48 which may be adjusted based on the retail dealer's  
49 biofuel threshold percentage disparity. The tax  
50 credit rate is as follows:

1 (1) For any tax year in which the retail dealer  
2 has attained a biofuel threshold percentage for the  
3 determination period, the tax credit rate is six and  
4 one-half cents.

5 (2) For any tax year in which the retail dealer  
6 has not attained a biofuel threshold percentage for  
7 the determination period, the tax credit rate shall be  
8 adjusted based on the retail dealer's biofuel  
9 threshold percentage disparity. The amount of the  
10 adjusted tax credit rate is as follows:

11 (a) If the retail dealer's biofuel threshold  
12 percentage disparity equals two percent or less, the  
13 tax credit rate is four and one-half cents.

14 (b) If the retail dealer's biofuel threshold  
15 percentage disparity equals more than two percent but  
16 not more than four percent, the tax credit rate is two  
17 and one-half cents.

18 (c) A retail dealer is not eligible for a tax  
19 credit if the retail dealer's biofuel threshold  
20 percentage disparity equals more than four percent.

21 b. For a retail dealer whose tax year is not the  
22 same as a determination period beginning on January 1  
23 and ending on December 31, the retail dealer shall  
24 calculate the tax credit twice, as follows:

25 (1) For the period beginning on the first day of  
26 the retail dealer's tax year until December 31, the  
27 retail dealer shall calculate the tax credit in the  
28 same manner as a retail dealer who calculates the tax  
29 credit on that same December 31 as provided in  
30 paragraph "a".

31 (2) For the period beginning on January 1 to the  
32 end of the retail dealer's tax year, the retail dealer  
33 shall calculate the tax credit in the same manner as a  
34 retail dealer who will calculate the tax credit on the  
35 following December 31 as provided in paragraph "a".

36 65. Page 23, line 12, by striking the word "a".

37 66. Page 23, by striking lines 17 through 20.

38 67. Page 24, lines 3 and 4, by striking the words  
39 ""motor fuel pump",".

40 68. Page 24, by inserting after line 5 the  
41 following:

42 "\_\_\_\_. "Motor fuel pump" means the same as defined  
43 in section 214.1."

44 69. Page 24, line 12, by inserting after the word  
45 "claim" the following: "the tax credit".

46 70. Page 24, by striking lines 19 and 20 and  
47 inserting the following:

48 "\_\_\_\_. For a retail dealer whose tax year is on a  
49 calendar year basis, the retail dealer shall calculate  
50 the amount of the tax credit by multiplying a

1 designated rate by the retail".  
2 71. Page 24, by striking line 23, and inserting  
3 the following:  
4 "\_\_\_\_. For calendar year 2006, calendar year 2007,  
5 and calendar year 2008, twenty-".  
6 72. Page 24, line 25, by striking the figures and  
7 words "2008 or calendar year 2009" and inserting the  
8 following: "2009 and calendar year 2010".  
9 73. Page 24, line 27, by striking the figure  
10 "2010" and inserting the following: "2011".  
11 74. Page 24, line 28, by striking the figure  
12 "2011" and inserting the following: "2012".  
13 75. Page 24, line 29, by striking the figure  
14 "2012" and inserting the following: "2013".  
15 76. Page 24, line 30, by striking the figure  
16 "2013" and inserting the following: "2014".  
17 77. Page 24, line 31, by striking the figure  
18 "2014" and inserting the following: "2015".  
19 78. Page 24, line 32, by striking the figure  
20 "2015" and inserting the following: "2016".  
21 79. Page 24, line 33, by striking the figure  
22 "2016" and inserting the following: "2017".  
23 80. Page 24, line 34, by striking the figure  
24 "2017" and inserting: "2018".  
25 81. Page 24, line 35, by striking the figure  
26 "2018" and inserting the following: "2019".  
27 82. Page 25, line 1, by striking the figure  
28 "2019" and inserting the following: "2020".  
29 83. Page 25, by striking lines 2 through 12 and  
30 inserting the following:  
31 "\_\_\_\_. For a retail dealer whose tax year is not on  
32 a calendar year basis, the retail dealer shall  
33 calculate the tax credit twice, as follows:  
34 (1) For the period beginning on the first day of  
35 the retail dealer's tax year until December 31, the  
36 retail dealer shall calculate the tax credit in the  
37 same manner as a retail dealer who calculates the tax  
38 credit on that same December 31 as provided in  
39 subsection 3.  
40 (2) For the period beginning on January 1 to the  
41 end of the retail dealer's tax year, the retail dealer  
42 shall calculate the tax credit in the same manner as a  
43 retail dealer who will calculate the tax credit on the  
44 following December 31 as provided in subsection 3."  
45 84. Page 25, line 13, by striking the word "a."  
46 85. Page 25, by striking lines 18 through 21.  
47 86. Page 25, line 34, by striking the figure  
48 "2020" and inserting the following: "2021".  
49 87. Page 28, by striking lines 8 through 15.  
50 88. Page 28, line 19, by striking the figure

Page 14

- 1 "2007" and inserting the following: "2009".
- 2 89. Page 29, line 18, by striking the figure
- 3 "2020" and inserting the following: "2021".
- 4 90. Page 30, line 1, by striking the figures
- 5 "422.11N, 422,110," and inserting the following:
- 6 "422.110"
- 7 91. Page 30, line 2, by striking the figures
- 8 "11A, 11B" and inserting the following: "11B".
- 9 92. Page 30, line 8, by striking the figure
- 10 "2006" and inserting the following: "2008".
- 11 93. Page 30, line 9, by striking the figure
- 12 "2006" and inserting the following: "2008".
- 13 94. Page 30, line 15, by striking the figure
- 14 "2006" and inserting the following: "2008".
- 15 95. Page 30, line 19, by striking the figure
- 16 "2006" and inserting the following: "2008".
- 17 96. Page 31, line 1, by striking the figure
- 18 "2019" and inserting the following: "2020".
- 19 97. Page 31, line 2, by striking the figure
- 20 "2019" and inserting the following: "2020".
- 21 98. Page 31, line 8, by striking the figure
- 22 "2019" and inserting the following: "2020".
- 23 99. Page 31, line 12, by striking the figure
- 24 "2019" and inserting the following: "2020".
- 25 100. Page 32, by inserting after line 18 the
- 26 following:
- 27 "NEW SUBSECTION. 13A. "Flexible fuel vehicle"
- 28 means a motor vehicle as defined in section 321M.1
- 29 which is powered by an engine capable of operating
- 30 using E-85 gasoline."
- 31 101. Page 32, line 19, by striking the figure
- 32 "13A." and inserting the following: "13B."
- 33 102. Page 32, by striking lines 27 and 28.
- 34 103. By striking page 33, line 4, through page
- 35 34, line 13.
- 36 104. Page 34, line 17, by striking the word "a."
- 37 105. Page 34, by striking lines 19 through 32.
- 38 106. Page 37, line 18, by inserting after the
- 39 word "gallorage" the following: "calculated for a
- 40 twelve-month period beginning January 1 and ending
- 41 December 31".
- 42 107. Page 37, line 25, by inserting after the
- 43 word "gallorage" the following: "calculated for a
- 44 twelve-month period beginning January 1 and ending
- 45 December 31".
- 46 108. Page 37, line 30, by inserting after the
- 47 word "gallorage" the following: "calculated for a
- 48 twelve-month period beginning January 1 and ending
- 49 December 31".
- 50 109. By striking page 37, line 31, through page

- 1 38, line 7.
- 2 110. Page 38, line 9, by striking the words
- 3 "BIOFUEL CONTENT IN MOTOR FUEL" and inserting the
- 4 following: "ETHANOL CONTENT IN E-85 GASOLINE".
- 5 111. Page 38, line 10, by striking the figure
- 6 "1."
- 7 112. Page 38, by striking lines 19 through 28:
- 8 113. By striking page 39, line 26, through page
- 9 40, line 9.
- 10 114. By striking page 40, line 30, through page
- 11 41, line 26.
- 12 115. Page 48, by inserting after line 20 the
- 13 following:
- 14 "4. The department shall consult with the
- 15 renewable fuel infrastructure board created in section
- 16 15G.115 in administering this section."
- 17 116. By striking page 50, line 31 through page
- 18 51, line 9.
- 19 117. Page 52, line 21, by striking the figure
- 20 "214.1,".
- 21 118. Page 52, line 27, by striking the figure
- 22 "214.1,".
- 23 119. By renumbering, relettering, or
- 24 redesignating and correcting internal references as
- 25 necessary.

By THOMAS RIELLY  
DAVID JOHNSON

HOUSE FILE 2754

S-5183

1 Amend the amendment, S-5182, to House File 2754, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

4 1. Page 10, lines 46 and 47, by striking the  
5 words "department of agriculture and land stewardship"  
6 and inserting the following: "governor".

7 2. Page 10, line 49, by striking the word  
8 "department" and inserting the following: "governor".

9 3. Page 11, line 21, by striking the word  
10 "department" and inserting the following: "governor".

11 4. Page 11, by inserting after line 42 the  
12 following:

13 "\_\_\_\_. The tax credit shall be calculated  
14 separately for each retail motor fuel site or other  
15 permanent or temporary location from which the retail  
16 dealer sells and dispenses ethanol blended gasoline."

17 5. Page 15, by inserting after line 7, the  
18 following:

19 "\_\_\_\_. Page 39, by inserting after line 2, the  
20 following:

21 "\_\_\_\_. The report shall include a breakdown of the  
22 information required in paragraph "a" for each retail  
23 motor fuel site or other permanent or temporary  
24 location from which the retail dealer sells and  
25 dispenses motor fuel."

26 6. Page 15, by inserting after line 22, the  
27 following:

28 "\_\_\_\_. Title page, lines 3 and 4, by striking the  
29 words "and excise taxes".

30 7. By renumbering as necessary.

By THOMAS RIELLY  
DAVID JOHNSON

S-5183 FILED APRIL 10, 2006

HOUSE FILE 2754

S-5186

1 Amend the amendment, S-5182, to House File 2754, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

4 1. Page 9, by striking lines 10 through 21, and  
5 inserting the following:

6 "\_\_\_\_. The aggregate biofuel distribution  
7 percentage is the aggregate ethanol gallonage plus the  
8 aggregate biodiesel gallonage expressed as a  
9 percentage of the aggregate gasoline gallonage  
10 calculated for a determination period.

11 \_\_\_\_\_. The aggregate biofuel threshold percentage is  
12 as follows:"

13 2. Page 10, by striking lines 4 through 45.

14 3. Page 11, line 36, by striking the words  
15 "retail dealer's" and inserting the following:  
16 "aggregate".

17 4. Page 11, line 39, by striking the words  
18 "retail dealer's" and inserting the following:  
19 "aggregate".

20 5. Page 11, lines 40 and 41, by striking the  
21 words "retail dealer's" and inserting the following:  
22 "aggregate".

23 6. Page 11, lines 41 and 42, by striking the  
24 words "retail dealer's" and inserting the following:  
25 "aggregate".

26 7. Page 11, line 48, by striking the words  
27 "retail dealer's".

28 8. Page 12, lines 1 and 2, by striking the words  
29 "retail dealer has attained a biofuel threshold  
30 percentage" and inserting the following: "aggregate  
31 biofuel threshold percentage has been attained".

32 9. Page 12, lines 5 and 6, by striking the words  
33 "retail dealer has not attained a biofuel threshold  
34 percentage" and inserting the following: "aggregate  
35 biofuel threshold percentage has not been attained".

36 10. Page 12, line 8, by striking the words  
37 "retail dealer's" and inserting the following:  
38 "aggregate".

39 11. Page 12, line 11, by striking the words  
40 "retail dealer's" and inserting the following:  
41 "aggregate".

42 12. Page 12, line 14, by striking the words  
43 "retail dealer's" and inserting the following:  
44 "aggregate".

45 13. Page 12, line 19, by striking the words  
46 "retail dealer's" and inserting the following:  
47 "aggregate".

48 14. By renumbering as necessary.

By MARK ZIEMAN  
STEVE KETTERING

E. THURMAN GASKILL  
JERRY BEHN

S-5186 FILED APRIL 11, 2006

LOST

HOUSE FILE 2754

S-5188

- 1 Amend the amendment, S-5182, to House File 2754, as  
2 amended, passed, and reprinted by the House, as  
3 follows:
- 4 1. Page 3, line 9, by striking the word "simple"  
5 and inserting the following: "~~simple~~ serious".
  - 6 2. Page 5, line 36, by striking the word  
7 "recommended".
  - 8 3. Page 5, by striking lines 40 and 41 and  
9 inserting the following: "whose application was  
10 approved by the".
  - 11 4. Page 6, line 48, by striking the word  
12 "recommended".
  - 13 5. Page 7, by striking lines 2 and 3 and  
14 inserting the following: "whose application was  
15 approved by the".
  - 16 6. By renumbering as necessary.

By THOMAS RIELLY  
DAVID JOHNSON

S-5188 FILED APRIL 11, 2006  
ADOPTED

SENATE AMENDMENT TO  
HOUSE FILE 2754

H-8532

- 1 Amend House File 2754, as amended, passed, and  
2 reprinted by the House, as follows:
- 3 1. Page 1, line 4, by striking the figure "2025"  
4 and inserting the following: "2020, all".
- 5 2. Page 1, by inserting after line 6 the  
6 following:
- 7 "Sec. \_\_\_\_\_. Section 214.1, subsections 1 through 3,  
8 Code 2005, are amended by striking the subsections and  
9 inserting in lieu thereof the following:
- 10 1. "Commercial weighing and measuring device" or  
11 "device" means the same as defined in section 215.26.
- 12 2. "Motor fuel" means the same as defined in  
13 section 214A.1.
- 14 3. "Motor fuel pump" means a pump, meter, or  
15 similar commercial weighing and measuring device used  
16 to measure and dispense motor fuel on a retail basis.
- 17 4. "Retail dealer" means the same as defined in  
18 section 214A.1.
- 19 5. "Wholesale dealer" means the same as defined in  
20 section 214A.1."
- 21 3. Page 1, line 20, by striking the word  
22 "constituent" and inserting the following:  
23 "component".
- 24 4. Page 3, line 14, by inserting after the word  
25 "site" the following: "including a permanent or  
26 mobile location".
- 27 5. Page 4, line 7, by striking the word  
28 "registration".
- 29 6. Page 4, by striking lines 17 through 22 and  
30 inserting the following:  
31 "( ) Ethanol must be an agriculturally derived  
32 ethyl alcohol that meets A.S.T.M. international  
33 specification D 4806 for denatured fuel ethanol for  
34 blending with gasoline for use as automotive spark-  
35 ignition engine fuel, or a successor A.S.T.M.  
36 international specification, as established by rules  
37 adopted by the department."
- 38 7. By striking page 4, line 26, through page 5,  
39 line 1, and inserting the following:  
40 "( ) E-85 gasoline must be an agriculturally  
41 derived ethyl alcohol that meets A.S.T.M.  
42 international specification D 5798, described as a  
43 fuel blend for use in ground vehicles with automotive  
44 spark-ignition engines, or a successor A.S.T.M.  
45 international specification, as established by rules  
46 adopted by the department."
- 47 8. Page 5, line 11, by striking the words  
48 "biodiesel or biodiesel blended" and inserting the  
49 following: "diesel".
- 50 9. Page 5, line 12, by striking the word

H-8532

1 "registration".

2 10. Page 5, line 16, by striking the word "The"  
3 and inserting the following: "If the motor fuel is  
4 advertised for sale or sold as biodiesel or biodiesel  
5 blended fuel, the".

6 11. Page 6, line 32, by inserting after the word  
7 "gasoline." the following: "However, a person  
8 advertising E-10 gasoline may only designate it as  
9 ethanol blended gasoline."

10 12. Page 7, by inserting after line 4 the  
11 following:

12 "Sec. \_\_\_\_ . Section 214A.5, Code 2005, is amended  
13 to read as follows:

14 214A.5 SALES SLIP ON DEMAND.

15 ~~Each~~ A wholesale dealer or retail dealer ~~in this~~  
16 ~~state~~ shall, when making a sale of motor vehicle fuel,  
17 give to ~~each~~ a purchaser upon demand a sales slip,  
18 upon which must be printed the words "This motor  
19 vehicle fuel conforms to the standard of  
20 specifications required by the state of Iowa." Each  
21 wholesale dealer in this state shall, when making a  
22 sale of oxygenate octane enhancer, give to each  
23 purchaser upon demand a sales slip upon which must be  
24 printed the words "This oxygenate octane enhancer  
25 conforms to the standard specifications required by  
26 the state of Iowa."

27 Sec. \_\_\_\_ . Section 214A.7, Code 2005, is amended to  
28 read as follows:

29 214A.7 DEPARTMENT INSPECTION -- SAMPLES TESTED.

30 The department, ~~its agents or employees,~~ shall,  
31 from time to time, make or cause to be made tests of  
32 any motor vehicle fuel or oxygenate octane enhancer  
33 which is being sold, or held or offered for sale  
34 within this state, ~~and for such purposes the~~  
35 ~~inspectors have the right to.~~ An inspector may enter  
36 upon the premises of any wholesale dealer or retail  
37 dealer ~~of motor vehicle fuel or oxygenate octane~~  
38 ~~enhancer within this state,~~ and ~~to~~ take from any  
39 container a sample of the motor vehicle fuel or  
40 oxygenate octane enhancer, not to exceed eight sixteen  
41 fluid ounces. The sample shall be sealed and  
42 appropriately marked or labeled by the inspector and  
43 delivered to the department. The department shall  
44 make, or cause to be made, complete analyses or tests  
45 of the motor vehicle fuel or oxygenate octane enhancer  
46 by the methods specified in section 214A.2."

47 13. Page 7, line 9, by striking the words "an  
48 oxygenate" and inserting the following: "oxygenate".

49 14. Page 7, line 10, by inserting after the word  
50 "enhancer" the following: "biofuel".

1 15. Page 7, by striking lines 13 through 18 and  
2 inserting the following:

3 "Sec. \_\_\_\_ . Section 214A.11, Code 2005, is amended  
4 to read as follows:

5 214A.11 VIOLATIONS PENALTIES.

6 1. Any Except as provided in subsection 2, a  
7 person violating the provisions who violates a  
8 provision of this chapter shall be is guilty of a  
9 simple serious misdemeanor. Each day that a  
10 continuing violation occurs shall be considered a  
11 separate offense.

12 2. The state may proceed against a person who  
13 violates this chapter by initiating an alternative  
14 civil enforcement action in lieu of a prosecution.  
15 The alternative civil enforcement action may be  
16 brought against the person as a contested case  
17 proceeding by the department under chapter 17A or as a  
18 civil judicial proceeding by the attorney general upon  
19 referral by the department. The department may  
20 impose, assess, and collect the civil penalty. The  
21 civil penalty shall be for at least one hundred  
22 dollars but not more than one thousand dollars for  
23 each violation. Each day that a continuing violation  
24 occurs shall be considered a separate offense.

25 a. Except as provided in paragraph "b", the state  
26 is precluded from prosecuting a violation pursuant to  
27 subsection 1, if the state is a party in the  
28 alternative civil enforcement action, the department  
29 has made a final decision in the contested case  
30 proceeding, or a court has entered a final judgment.

31 b. If a party to an alternative civil enforcement  
32 action fails to pay the civil penalty to the  
33 department within thirty days after the party has  
34 exhausted the party's administrative remedies and the  
35 party has not sought judicial review in accordance  
36 with section 17A.19, the department may order that its  
37 final decision be vacated. When the department's  
38 final decision is vacated, the state may initiate a  
39 criminal prosecution, but shall be precluded from  
40 bringing an alternative civil enforcement action. If  
41 a party to an alternative civil enforcement action  
42 fails to pay the civil penalty within thirty days  
43 after a court has entered a final judgment, the  
44 department may request that the attorney general  
45 petition the court to vacate its final judgment. When  
46 the court's judgment has been vacated, the state may  
47 initiate a criminal prosecution, but shall be  
48 precluded from bringing an alternative civil  
49 enforcement action."

50 16. Page 11, by striking line 20 and inserting

1 the following:

2 "\_\_\_\_\_. As used in this section, unless the context  
3 otherwise requires:

4 \_\_\_\_\_. "E-85 gasoline and "retail dealer" mean the  
5 same as defined in section 214A.1.

6 \_\_\_\_\_. "Gasoline storage and".

7 17. Page 11, line 25, by striking the words "as  
8 defined in section 214A.1".

9 18. Page 11, line 30, by inserting after the word  
10 "department" the following: "of natural resources  
11 under this chapter or the state fire marshal under  
12 chapter 101, division II".

13 19. Page 11, line 34, by striking the word  
14 "equipment" and inserting the following: "dispenser".

15 20. Page 12, line 6, by inserting after the word  
16 "equipment" the following: "for use in dispensing E-  
17 85 gasoline".

18 21. Page 12, lines 9 and 10, by striking the  
19 words "department of public safety" and inserting the  
20 following: "state fire marshal".

21 22. Page 12, line 14, by striking the words  
22 "department of public safety" and inserting the  
23 following: "state fire marshal".

24 23. Page 12, by inserting after line 15 the  
25 following:

26 "Sec. \_\_\_\_\_. CONFLICT WITH OTHER ACT. If the  
27 Eighty-first General Assembly enacts House File 2793  
28 or any other Act that amends section 214.1 in a manner  
29 that conflicts with the amendments in this Act to  
30 section 214.1, the provisions of this Act shall  
31 prevail."

32 24. Page 12, by inserting after line 32 the  
33 following:

34 "\_\_\_\_\_. "Department" means the Iowa department of  
35 economic development created in section 15.105."

36 25. Page 13, line 7, by inserting after the word  
37 "biodiesel" the following: "that is stored on-site or  
38 off-site in bulk and".

39 26. Page 13, line 9, by inserting after the word  
40 "which" the following: "storage and distribution  
41 facility".

42 27. Page 13, by inserting after line 20 the  
43 following:

44 "\_\_\_\_\_. "Underground storage tank fund board" means  
45 the Iowa comprehensive petroleum underground storage  
46 tank fund board established pursuant to section  
47 455G.4."

48 28. Page 13, line 32, by striking the word "nine"  
49 and inserting the following: "eleven".

50 29. Page 13, by inserting after line 35 the

- 1 following:  
2 "\_\_\_\_. One person representing the petroleum  
3 industry who is knowledgeable about issues relating to  
4 petroleum refining, terminal operations, and petroleum  
5 or motor fuel distribution."  
6 30. Page 14, line 1, by striking the word "Eight"  
7 and inserting the following: "Nine".  
8 31. Page 14, by inserting after line 11 the  
9 following:  
10 "(\_\_\_\_) The Iowa grocery industry association."  
11 32. Page 14, line 29, by striking the word "five"  
12 and inserting the following: "six".  
13 33. Page 14, by inserting after line 30 the  
14 following:  
15 "\_\_\_\_. The infrastructure board shall meet with  
16 three or more members of the underground storage tank  
17 fund board who shall represent the underground storage  
18 tank fund board. The representatives shall be  
19 available to advise the infrastructure board when the  
20 infrastructure board makes decisions regarding the  
21 awarding of financial incentives to a person under a  
22 renewable fuel infrastructure program provided in  
23 section 15G.116 or 15G.117."  
24 34. Page 14, line 34, by striking the word "Five"  
25 and inserting the following: "Six".  
26 35. Page 15, line 16, by inserting after the word  
27 "dispense" the following: "renewable fuel which is".  
28 36. Page 15, by striking lines 19 through 26 and  
29 inserting the following:  
30 "2. A person may apply to the department to  
31 receive financial incentives on a cost-share basis.  
32 The department shall forward the applications to the  
33 underground storage tank fund board as required by  
34 that board for evaluation and recommendation. The  
35 underground storage tank fund board may rank the  
36 applications with comments and shall forward them to  
37 the infrastructure board for approval or disapproval.  
38 The department shall award financial incentives on a  
39 cost-share basis to an eligible person whose  
40 application was approved by the infrastructure board.  
41 3. To all extent practical, the program shall be  
42 administered in conjunction with the programs provided  
43 in section 15.401."  
44 37. Page 16, by striking lines 31 through 33 and  
45 inserting the following: "to perform a new site  
46 assessment unless a new release occurs or if a  
47 previously unknown or unforeseen risk condition should  
48 arise."  
49 38. By striking page 16, line 34, through page  
50 17, line 4, and inserting the following:

1 "\_\_\_\_". The infrastructure board shall not approve a  
2 cost-".

3 39. Page 17, line 7, by striking the words "or  
4 motor fuel pump".

5 40. Page 17, by striking lines 17 through 25 and  
6 inserting the following: "exceed fifty percent of the  
7 actual cost of making the improvement or thirty  
8 thousand dollars, whichever is less. The  
9 infrastructure board may approve multiple awards to  
10 make improvements to a retail motor fuel site so long  
11 as the total amount of the awards does not exceed the  
12 limitations provided in this paragraph."

13 41. Page 17, line 26, by striking the word "c."  
14 and inserting the following: "7."

15 42. Page 17, by striking lines 27 and 28 and  
16 inserting the following: "to store and dispense motor  
17 fuel other than the type of renewable fuel approved by  
18 the board in the cost-share agreement, unless one of  
19 the".

20 43. Page 17, line 30, by striking the figure  
21 "(1)" and inserting the following: "a."

22 44. Page 17, line 34, by striking the figure  
23 "(2)" and inserting the following: "b."

24 45. Page 17, line 34, by striking the words  
25 "infrastructure fund" and inserting the following:  
26 "renewable fuel infrastructure fund if created in 2006  
27 Iowa acts, House File 2759".

28 46. Page 18, line 2, by inserting after the word  
29 "amount." the following: "The amount shall be  
30 deposited in the renewable fuel infrastructure fund if  
31 created in 2006 Iowa acts, House File 2759."

32 47. Page 18, line 3, by striking the word "d."  
33 and inserting the following: "8."

34 48. Page 18, by striking lines 9 through 11.

35 49. Page 18, by striking lines 15 through 17 and  
36 inserting the following: "infrastructure board  
37 created in section 15G.115 shall".

38 50. Page 18, by striking lines 25 through 30 and  
39 inserting the following:

40 "\_\_\_\_". A person may apply to the department to  
41 receive financial incentives on a cost-share basis.  
42 The department shall forward the applications to the  
43 underground storage tank fund board as required by  
44 that board for evaluation and recommendation. The  
45 underground storage tank fund board may rank the  
46 applications with comments and shall forward them to  
47 the infrastructure board for approval or disapproval.  
48 The department shall award financial incentives on a  
49 cost-share basis to an eligible person whose  
50 application was approved by the infrastructure board.

1 \_\_\_\_\_. To all extent practical, the program shall be  
2 administered in conjunction with the programs provided  
3 in section 15.401."

4 51. Page 19, by striking lines 16 through 25 and  
5 inserting the following:

6 "\_\_\_\_\_. An award of financial incentives to a  
7 participating person shall be in the form of a grant.  
8 In order to participate in the program an eligible  
9 person must execute a cost-share agreement with the  
10 department as approved by the infrastructure board in  
11 which the person contributes a percentage of the total  
12 costs related to improving the terminal. The  
13 financial incentives awarded to the participating  
14 person shall not exceed fifty percent of the actual  
15 cost of making the improvements or fifty thousand  
16 dollars, whichever is less. The infrastructure board  
17 may approve multiple awards to make improvements to a  
18 terminal so long as the total amount of the awards  
19 does not exceed the limitations provided in this  
20 subsection."

21 52. Page 19, line 34, by striking the words  
22 "infrastructure fund" and inserting the following:  
23 "renewable fuel infrastructure fund if created in 2006  
24 Iowa acts, House File 2759".

25 53. Page 20, line 2, by inserting after the word  
26 "amount." the following: "The amount shall be  
27 deposited in the renewable fuel infrastructure fund if  
28 created in 2006 Iowa acts, House File 2759."

29 54. Page 20, by inserting after line 8, the  
30 following:

31 "Sec. \_\_\_\_\_. NEW SECTION. 15G.120 REPORT.

32 1. By January 15 of each year, the renewable fuel  
33 infrastructure board shall approve that part of the  
34 department's report required to be submitted to the  
35 governor and general assembly by the department  
36 regarding projects supported from the grow Iowa values  
37 fund as provided in section 15.104 which provides  
38 information regarding expenditures to support  
39 renewable fuel infrastructure programs as provided in  
40 sections 15G.116 and 15G.117. That part of the report  
41 approved by the board shall include the same  
42 information as required for business finance projects  
43 funded during the previous fiscal year.

44 2. This section is repealed on July 1, 2012.

45 Sec. \_\_\_\_\_. DEPARTMENTAL STUDY -- E-85 GASOLINE  
46 AVAILABILITY. The state department of transportation  
47 and the department of natural resources shall  
48 cooperate to conduct a study to provide methods to  
49 inform persons of the availability of E-85 gasoline  
50 offered for sale and distribution by retail dealers of

1 motor fuel in this state, including the location of  
2 each retail motor fuel site where a retail dealer  
3 offers E-85 gasoline for sale and distribution. The  
4 department's study shall include methods for  
5 identifying those locations for the convenience of the  
6 traveling public including but not limited to the  
7 identification of those locations on roadside signs  
8 and on the official Iowa map published pursuant to  
9 section 307.14. The departments shall jointly prepare  
10 and deliver a report to the governor and general  
11 assembly, which includes findings and recommendations,  
12 not later than January 10, 2007.

13 Sec. \_\_\_\_\_. EMERGENCY RULES. The Iowa department of  
14 economic development and the Iowa comprehensive  
15 petroleum underground storage tank fund board shall  
16 adopt emergency rules under section 17A.4, subsection  
17 2, and section 17A.5, subsection 2, paragraph "b", to  
18 implement the provisions of this division and the  
19 rules shall be effective immediately upon filing, but  
20 not later than June 1, 2006. Any rules adopted in  
21 accordance with this section shall also be published  
22 as a notice of intended action as provided in section  
23 17A.4, subsection 1."

24 55. Page 20, line 15, by striking the words "and  
25 "retail dealer"" and inserting the following:  
26 ""retail dealer", and "retail motor fuel site"".

27 56. Page 20, lines 17 and 18, by striking the  
28 words "as motor vehicle fuel pump".

29 57. Page 20, by striking lines 19 and 20.

30 58. Page 21, by striking lines 9 through 16, and  
31 inserting the following:

32 "3A. A retail dealer is eligible to claim a  
33 designated ethanol blended gasoline tax credit as  
34 provided in this section even though the retail dealer  
35 claims an E-85 gasoline promotion tax credit pursuant  
36 to section 422.110 for the same tax year for the same  
37 ethanol gallonage."

38 59. Page 21, line 20 by striking the figure  
39 "2007" and inserting the following: "2009".

40 60. Page 21, line 26, by striking the words  
41 ""motor fuel pump",".

42 61. Page 21, by inserting after line 27 the  
43 following:

44 "\_\_\_\_\_. "Flexible fuel vehicle" means the same as  
45 defined in section 452A.2.

46 \_\_\_\_\_. "Motor fuel" means the same as defined in  
47 section 452A.2.

48 \_\_\_\_\_. "Motor fuel pump" means the same as defined  
49 in section 214.1."

50 62. Page 21, by inserting after line 30 the

1 following:

2 "\_\_\_\_\_. The special terms provided in section  
3 452A.31 shall also apply to this section."

4 63. By striking page 22, line 9, through page 23,  
5 line 11, and inserting the following:

6 "a. The retail dealer's biofuel distribution  
7 percentage which is the sum of the retail dealer's  
8 total ethanol gallonage plus the retail dealer's total  
9 biodiesel gallonage expressed as a percentage of the  
10 retail dealer's total gasoline gallonage, in the  
11 retail dealer's applicable determination period.

12 b. The retail dealer's biofuel threshold  
13 percentage is as follows:

14 (1) For a retail dealer who sells and dispenses  
15 more than two hundred thousand gallons of motor fuel  
16 in an applicable determination period, the retail  
17 dealer's biofuel threshold percentage is as follows:

18 (a) Ten percent for the determination period  
19 beginning on January 1, 2009, and ending December 31,  
20 2009.

21 (b) Eleven percent for the determination period  
22 beginning on January 1, 2010, and ending December 31,  
23 2010.

24 (c) Twelve percent for the determination period  
25 beginning on January 1, 2011, and ending December 31,  
26 2011.

27 (d) Thirteen percent for the determination period  
28 beginning on January 1, 2012, and ending December 31,  
29 2012.

30 (e) Fourteen percent for the determination period  
31 beginning on January 1, 2013, and ending December 31,  
32 2013.

33 (f) Fifteen percent for the determination period  
34 beginning on January 1, 2014, and ending December 31,  
35 2014.

36 (g) Seventeen percent for the determination period  
37 beginning on January 1, 2015, and ending December 31,  
38 2015.

39 (h) Nineteen percent for the determination period  
40 beginning on January 1, 2016, and ending December 31,  
41 2016.

42 (i) Twenty-one percent for the determination  
43 period beginning on January 1, 2017, and ending  
44 December 31, 2017.

45 (j) Twenty-three percent for the determination  
46 period beginning on January 1, 2018, and ending  
47 December 31, 2018.

48 (k) Twenty-five percent for each determination  
49 period beginning on and after January 1, 2019.

50 (2) For a retail dealer who sells and dispenses

1 two hundred thousand gallons of motor fuel or less in  
2 an applicable determination period, the biofuel  
3 threshold percentages shall be:

4 (a) Six percent for the determination period  
5 beginning on January 1, 2009, and ending December 31,  
6 2009.

7 (b) Six percent for the determination period  
8 beginning on January 1, 2010, and ending December 31,  
9 2010.

10 (c) Ten percent for the determination period  
11 beginning on January 1, 2011, and ending December 31,  
12 2011.

13 (d) Eleven percent for the determination period  
14 beginning on January 1, 2012, and ending December 31,  
15 2012.

16 (e) Twelve percent for the determination period  
17 beginning on January 1, 2013, and ending December 31,  
18 2013.

19 (f) Thirteen percent for the determination period  
20 beginning on January 1, 2014, and ending December 31,  
21 2014.

22 (g) Fourteen percent for the determination period  
23 beginning on January 1, 2015, and ending December 31,  
24 2015.

25 (h) Fifteen percent for the determination period  
26 beginning on January 1, 2016, and ending December 31,  
27 2016.

28 (i) Seventeen percent for the determination period  
29 beginning on January 1, 2017, and ending December 31,  
30 2017.

31 (j) Nineteen percent for the determination period  
32 beginning on January 1, 2018, and ending December 31,  
33 2018.

34 (k) Twenty-one percent for the determination  
35 period beginning on January 1, 2019, and ending  
36 December 31, 2019.

37 (l) Twenty-three percent for the determination  
38 period beginning on January 1, 2020, and ending  
39 December 31, 2020.

40 (m) Twenty-five percent for each determination  
41 period beginning on and after January 1, 2021.

42 (3) Notwithstanding paragraph "a", the governor  
43 may adjust a biofuel threshold percentage for a  
44 determination period if the governor finds that  
45 exigent circumstances exist. Exigent circumstances  
46 exist due to potential substantial economic injury to  
47 the state's economy. Exigent circumstances also exist  
48 if it is probable that a substantial number of retail  
49 dealers cannot comply with a biofuel threshold  
50 percentage during a determination period due to any of

1 the following:

2 (a) Less than the target number of flexible fuel  
3 vehicles are registered under chapter 321. The target  
4 numbers of flexible fuel vehicles are as follows:

5 (i) On January 1, 2011, two hundred fifty  
6 thousand.

7 (ii) On January 1, 2014, three hundred fifty  
8 thousand.

9 (iii) On January 1, 2017, four hundred fifty  
10 thousand.

11 (iv) On January 1, 2019, five hundred fifty  
12 thousand.

13 (b) A shortage in the biofuel feedstock resulting  
14 in a dramatic decrease in biofuel inventories.

15 If the governor finds that exigent circumstances  
16 exist, the governor may reduce the applicable biofuel  
17 threshold percentage by replacing it with an adjusted  
18 biofuel threshold percentage. The governor shall  
19 consult with the department of revenue and the  
20 renewable fuels and coproducts advisory committee  
21 established pursuant to section 159A.4. The governor  
22 shall make the adjustment by giving notice of intent  
23 to issue a proclamation which shall take effect not  
24 earlier than thirty-five days after publication in the  
25 Iowa administrative bulletin of a notice to issue the  
26 proclamation. The governor shall provide a period of  
27 notice and comment in the same manner as provided in  
28 section 17A.4, subsection 1. The adjusted biofuel  
29 threshold percentage shall be effective for the  
30 following determination period.

31 c. The retail dealer's biofuel threshold  
32 percentage disparity which is a positive percentage  
33 difference obtained by taking the minuend which is the  
34 retail dealer's biofuel distribution percentage and  
35 subtracting from it the subtrahend which is the retail  
36 dealer's biofuel threshold percentage, in the retail  
37 dealer's applicable determination period.

38 d. The tax credit shall be calculated separately  
39 for each retail motor fuel site or other permanent or  
40 temporary location from which the retail dealer sells  
41 and dispenses ethanol blended gasoline.

42 4. a. For a retail dealer whose tax year is the  
43 same as a determination period beginning on January 1  
44 and ending on December 31, the retail dealer's tax  
45 credit is calculated by multiplying the retail  
46 dealer's total ethanol gallonage by a tax credit rate,  
47 which may be adjusted based on the retail dealer's  
48 biofuel threshold percentage disparity. The tax  
49 credit rate is as follows:

50 (1) For any tax year in which the retail dealer

1 has attained a biofuel threshold percentage for the  
2 determination period, the tax credit rate is six and  
3 one-half cents.

4 (2) For any tax year in which the retail dealer  
5 has not attained a biofuel threshold percentage for  
6 the determination period, the tax credit rate shall be  
7 adjusted based on the retail dealer's biofuel  
8 threshold percentage disparity. The amount of the  
9 adjusted tax credit rate is as follows:

10 (a) If the retail dealer's biofuel threshold  
11 percentage disparity equals two percent or less, the  
12 tax credit rate is four and one-half cents.

13 (b) If the retail dealer's biofuel threshold  
14 percentage disparity equals more than two percent but  
15 not more than four percent, the tax credit rate is two  
16 and one-half cents.

17 (c) A retail dealer is not eligible for a tax  
18 credit if the retail dealer's biofuel threshold  
19 percentage disparity equals more than four percent.

20 b. For a retail dealer whose tax year is not the  
21 same as a determination period beginning on January 1  
22 and ending on December 31, the retail dealer shall  
23 calculate the tax credit twice, as follows:

24 (1) For the period beginning on the first day of  
25 the retail dealer's tax year until December 31, the  
26 retail dealer shall calculate the tax credit in the  
27 same manner as a retail dealer who calculates the tax  
28 credit on that same December 31 as provided in  
29 paragraph "a".

30 (2) For the period beginning on January 1 to the  
31 end of the retail dealer's tax year, the retail dealer  
32 shall calculate the tax credit in the same manner as a  
33 retail dealer who will calculate the tax credit on the  
34 following December 31 as provided in paragraph "a".

35 64. Page 23, line 12, by striking the word "a."

36 65. Page 23, by striking lines 17 through 20.

37 66. Page 24, lines 3 and 4, by striking the words  
38 ""motor fuel pump",".

39 67. Page 24, by inserting after line 5 the  
40 following:

41 "\_\_\_\_. "Motor fuel pump" means the same as defined  
42 in section 214.1."

43 68. Page 24, line 12, by inserting after the word  
44 "claim" the following: "the tax credit".

45 69. Page 24, by striking lines 19 and 20 and  
46 inserting the following:

47 "\_\_\_\_. For a retail dealer whose tax year is on a  
48 calendar year basis, the retail dealer shall calculate  
49 the amount of the tax credit by multiplying a  
50 designated rate by the retail".

- 1 70. Page 24, by striking line 23, and inserting  
2 the following:  
3 "\_\_\_\_. For calendar year 2006, calendar year 2007,  
4 and calendar year 2008, twenty-".  
5 71. Page 24, line 25, by striking the figures and  
6 words "2008 or calendar year 2009" and inserting the  
7 following: "2009 and calendar year 2010".  
8 72. Page 24, line 27, by striking the figure  
9 "2010" and inserting the following: "2011".  
10 73. Page 24, line 28, by striking the figure  
11 "2011" and inserting the following: "2012".  
12 74. Page 24, line 29, by striking the figure  
13 "2012" and inserting the following: "2013".  
14 75. Page 24, line 30, by striking the figure  
15 "2013" and inserting the following: "2014".  
16 76. Page 24, line 31, by striking the figure  
17 "2014" and inserting the following: "2015".  
18 77. Page 24, line 32, by striking the figure  
19 "2015" and inserting the following: "2016".  
20 78. Page 24, line 33, by striking the figure  
21 "2016" and inserting the following: "2017".  
22 79. Page 24, line 34, by striking the figure  
23 "2017" and inserting: "2018".  
24 80. Page 24, line 35, by striking the figure  
25 "2018" and inserting the following: "2019".  
26 81. Page 25, line 1, by striking the figure  
27 "2019" and inserting the following: "2020".  
28 82. Page 25, by striking lines 2 through 12 and  
29 inserting the following:  
30 "\_\_\_\_. For a retail dealer whose tax year is not on  
31 a calendar year basis, the retail dealer shall  
32 calculate the tax credit twice, as follows:  
33 (1) For the period beginning on the first day of  
34 the retail dealer's tax year until December 31, the  
35 retail dealer shall calculate the tax credit in the  
36 same manner as a retail dealer who calculates the tax  
37 credit on that same December 31 as provided in  
38 subsection 3.  
39 (2) For the period beginning on January 1 to the  
40 end of the retail dealer's tax year, the retail dealer  
41 shall calculate the tax credit in the same manner as a  
42 retail dealer who will calculate the tax credit on the  
43 following December 31 as provided in subsection 3."  
44 83. Page 25, line 13, by striking the word "a."  
45 84. Page 25, by striking lines 18 through 21.  
46 85. Page 25, line 34, by striking the figure  
47 "2020" and inserting the following: "2021".  
48 86. Page 28, by striking lines 8 through 15.  
49 87. Page 28, line 19, by striking the figure  
50 "2007" and inserting the following: "2009".

Page 14

- 1 88. Page 29, line 18, by striking the figure
- 2 "2020" and inserting the following: "2021".
- 3 89. Page 30, line 1, by striking the figures
- 4 "422.11N, 422,110," and inserting the following:
- 5 "422.110"
- 6 90. Page 30, line 2, by striking the figures
- 7 "11A, 11B" and inserting the following: "11B".
- 8 91. Page 30, line 8, by striking the figure
- 9 "2006" and inserting the following: "2008".
- 10 92. Page 30, line 9, by striking the figure
- 11 "2006" and inserting the following: "2008".
- 12 93. Page 30, line 15, by striking the figure
- 13 "2006" and inserting the following: "2008".
- 14 94. Page 30, line 19, by striking the figure
- 15 "2006" and inserting the following: "2008".
- 16 95. Page 31, line 1, by striking the figure
- 17 "2019" and inserting the following: "2020".
- 18 96. Page 31, line 2, by striking the figure
- 19 "2019" and inserting the following: "2020".
- 20 97. Page 31, line 8, by striking the figure
- 21 "2019" and inserting the following: "2020".
- 22 98. Page 31, line 12, by striking the figure
- 23 "2019" and inserting the following: "2020".
- 24 99. Page 32, by inserting after line 18 the
- 25 following:
- 26 "NEW SUBSECTION. 13A. "Flexible fuel vehicle"
- 27 means a motor vehicle as defined in section 321M.1
- 28 which is powered by an engine capable of operating
- 29 using E-85 gasoline."
- 30 100. Page 32, line 19, by striking the figure
- 31 "13A." and inserting the following: "13B."
- 32 101. Page 32, by striking lines 27 and 28.
- 33 102. By striking page 33, line 4, through page
- 34 34, line 13.
- 35 103. Page 34, line 17, by striking the word "a."
- 36 104. Page 34, by striking lines 19 through 32.
- 37 105. Page 37, line 18, by inserting after the
- 38 word "gallorage" the following: "calculated for a
- 39 twelve-month period beginning January 1 and ending
- 40 December 31".
- 41 106. Page 37, line 25, by inserting after the
- 42 word "gallorage" the following: "calculated for a
- 43 twelve-month period beginning January 1 and ending
- 44 December 31".
- 45 107. Page 37, line 30, by inserting after the
- 46 word "gallorage" the following: "calculated for a
- 47 twelve-month period beginning January 1 and ending
- 48 December 31".
- 49 108. By striking page 37, line 31, through page
- 50 38, line 7.

**H-8532**

Page 15

- 1 109. Page 38, line 9, by striking the words  
2 "BIOFUEL CONTENT IN MOTOR FUEL" and inserting the  
3 following: "ETHANOL CONTENT IN E-85 GASOLINE".  
4 110. Page 38, line 10, by striking the figure  
5 "1."  
6 111. Page 38, by striking lines 19 through 28.  
7 112. Page 39, by inserting after line 2, the  
8 following:  
9 "\_\_\_\_. The report shall include a breakdown of the  
10 information required in paragraph "a" for each retail  
11 motor fuel site or other permanent or temporary  
12 location from which the retail dealer sells and  
13 dispenses motor fuel."  
14 113. By striking page 39, line 26, through page  
15 40, line 9.  
16 114. By striking page 40, line 30, through page  
17 41, line 26.  
18 115. Page 48, by inserting after line 20 the  
19 following:  
20 "4. The department shall consult with the  
21 renewable fuel infrastructure board created in section  
22 15G.115 in administering this section."  
23 116. By striking page 50, line 31 through page  
24 51, line 9.  
25 117. Page 52, line 21, by striking the figure  
26 "214.1,".  
27 118. Page 52, line 27, by striking the figure  
28 "214.1,".  
29 119. Title page, lines 3 and 4, by striking the  
30 words "and excise taxes".  
31 120. By renumbering, relettering, or  
32 redesignating and correcting internal references as  
33 necessary.

RECEIVED FROM THE SENATE

**H-8532** FILED APRIL 11, 2006

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2754 - Renewable Fuel Incentive (LSB 5701.1 HZ)

Analyst: Jeff Robinson (Phone: [515] 281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))

Fiscal Note Version – As Amended by the Senate (H-8532)

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**Description**

House File 2754, as Amended by the Senate (H-8532), creates three income tax credits related to renewable fuels, sunsets an existing ethanol income tax credit, and provides for a renewable fuel infrastructure grant program.

House File 2754, as Amended, has the following direct fiscal impacts on State revenue and expenditures.

**State Income Tax Revenue:**

1. An income tax credit of up to six and one-half cents per gallon for each retail gallon of ethanol sold in the State from January 1, 2009, through December 31, 2025. The credit is available for petroleum retailers meeting specified threshold percentages for biofuels. Lesser tax credits are available for retailers with biofuel percentages below the specified thresholds. For this credit, ethanol gallons sold refers to the component ethanol parts in a gallon of E10 or E85. E10 is a combination of gasoline and ethanol where ethanol constitutes 10.0% of the total volume. E85 is a combination where ethanol constitutes as much as 85.0% of the total volume.
2. An income tax credit for each gallon of E85. The credit is equal to twenty-five cents per gallon beginning calendar year 2006, and declines to zero starting calendar year 2021.
3. An income tax credit of three cents per gallon for retail biodiesel fuel sold in the State from January 1, 2006, through December 31, 2012. To qualify for the credit, a retailer's diesel sales for the tax year must be at least 50.0% biodiesel. If the 50.0% threshold is achieved, the retailer earns a tax credit of three cents per gallon for all gallons of biodiesel sold that tax year.
4. Sunsets the current 2.5 cents per gallon income tax credit for ethanol gallons sold in excess of 60.0% through an individual retail location. The sunset is effective after calendar year 2008.

**State Gasoline Tax Revenue** – The intent of the ethanol tax and infrastructure incentives in HF 2754 and HF 2759 (Renewable Fuels Infrastructure Bill) is to increase the gallons of ethanol and biodiesel consumed as motor fuel. If E10 and E85 fuels deliver lower gas mileage than unblended gasoline, moving to a larger percentage of those fuels will increase the total number of gasoline gallons consumed. Since the gas tax is collected on a per-gallon basis, increasing the number of gallons will increase the yield of the gas tax, as long as the per-gallon tax rate is the same for E85, E10, and unblended gasoline.

**Appropriations for Petroleum Infrastructure** – House File 2754 creates a Renewable Fuels Infrastructure Fund to provide financial assistance to persons installing E85 and biodiesel dispensing equipment. House File 2759 (Renewable Fuels Infrastructure Appropriation Bill) appropriates \$2.0 million per year from the Iowa Values Fund for FY 2006, FY 2007, and FY 2008 to the Renewable Fuels Infrastructure Fund.

**Administrative Costs** – The Bill will create additional duties for the Department of Natural Resources, Department of Agriculture and Land Stewardship, Department of Economic Development, Department of Transportation, and the Department of Revenue. The majority of the administrative costs listed in Table 2 represent start up and personnel costs identified by the Department of Agriculture and Land Stewardship.

### Assumptions

#### Gasoline Related –

1. Under current law, gasoline sales will increase 1.0% per year through calendar year (CY) 2025.
2. Over the course of a year, E85 will average 79.0% ethanol content.
3. The per-gallon gas tax, including the 1.0 cent Underground Storage Tank Diminution Fee, is 21.0 cents per gallon, starting July 1, 2007. The diminution fee expires June 30, 2016. The tax rates are different for each product prior to July 1, 2007, but the difference does not impact the fiscal estimates.
4. The supply of vehicles able to operate on E85 gasoline (flex-fuel vehicles) will meet or exceed the available E85 fuel supply.
5. The average gas mileage achieved with E10 is 2.35% lower than unblended gasoline and the gas mileage achieved with E85 is 20.0% lower (a vehicle achieving 25.0 mpg on unblended will achieve 24.41 mpg on E10 and 20.00 mpg on E85).
6. The infrastructure and per-gallon tax incentives for ethanol sales will significantly increase the gallons of E10 and E85 sold in the State, and a majority of gasoline retailers will meet the annual thresholds and receive the 6.5 cent per gallon tax credit.
7. For the first year of the new tax credit (CY 2009), 88.00% of the minimum threshold credit level is assumed to be earned. That percent decreases 1.25% per year through CY 2020. After CY 2020, the percentage increases 1.0% per year. The minimum threshold credit is calculated as the ethanol gallons necessary each year for every retailer to just meet the annual percentage requirement for the full 6.5 cent incentive.
8. Tax credits from sales for a calendar year are assumed to be redeemed in the next fiscal year (CY 2006 credits are redeemed FY 2007).
9. The projected taxable gallons sold in Iowa under current law as well as the projected gallons sold under these assumptions are provided in **Appendix A** at the end of this document.

#### Diesel Related –

1. Taxable diesel sales in CY 2005 totaled 648.4 million gallons.
2. Assume an additional 18.0% (116.7 million gallons) for non-taxable retail sales.
3. Diesel sales will increase at an average annual rate of 3.75%.
4. The miles per gallon achieved with diesel and B02 biodiesel are similar.
5. The infrastructure incentives in the Bill will be utilized and several terminals will be upgraded over the three years.
6. Significant investment in retail facility upgrades is not necessary for biodiesel.

7. At all price levels of biodiesel and diesel, the 3.0 cent per-gallon tax credit will produce B02 biodiesel prices lower than the comparable pure diesel price.
8. Tax credits from sales for a calendar year are assumed to be redeemed in the next fiscal year (CY 2006 credits are redeemed FY 2007).
9. The projected taxable gallons sold are provided in **Appendix B** at the end of this document.

### **Fiscal Impact**

The creation of three new renewable fuel income tax credits, along with the sunset of the current ethanol credit, is projected to reduce retailer's net income tax liability each year through FY 2026. The projections, by tax credit and by year, are provided in **Table 1**. The credits will not reduce school local option income tax as the adjustment on the lowa tax form for the credits occurs after calculation of the local option tax.

	Current Ethanol Credit	New Ethanol Credit	E85 Credit	Biodiesel Credit	Net Income Tax Credit Change
FY 2007	-\$0.01	\$0.00	-\$0.20	-\$0.54	-\$0.74
FY 2008	-0.27	0.00	-1.70	-1.45	-3.41
FY 2009	-0.23	0.00	-5.00	-3.08	-8.30
FY 2010	10.50	-9.30	-7.40	-3.79	-9.99
FY 2011	11.10	-10.20	-11.20	-4.55	-14.85
FY 2012	11.60	-11.40	-8.60	-5.15	-13.55
FY 2013	12.20	-12.30	-9.80	-5.79	-15.69
FY 2014	12.80	-13.20	-10.60	0.00	-11.00
FY 2015	13.10	-14.10	-10.90	0.00	-11.90
FY 2016	13.40	-15.90	-12.40	0.00	-14.90
FY 2017	14.10	-17.70	-12.80	0.00	-16.40
FY 2018	14.70	-19.60	-12.40	0.00	-17.30
FY 2019	14.90	-21.40	-11.10	0.00	-17.60
FY 2020	15.10	-23.30	-8.60	0.00	-16.80
FY 2021	15.20	-23.30	-4.40	0.00	-12.50
FY 2022	15.40	-24.00	0.00	0.00	-8.60
FY 2023	15.50	-24.60	0.00	0.00	-9.10
FY 2024	15.60	-25.10	0.00	0.00	-9.50
FY 2025	15.70	-25.70	0.00	0.00	-10.00
FY 2026	15.80	-26.20	0.00	0.00	-10.40
Total	\$236.2	-\$317.3	-\$127.1	-\$24.3	-\$232.5

The Bill will also have other impacts on State finances, and those impacts are provided in **Table 2**. The largest impact relates to an increase in Road Use Tax Fund revenue due to increased gas tax resulting from increased gasoline gallons sold.

	Gas Tax to Road Fund	HF 2759 - Renewable Fuels Infrast. Approp.	Administrative Expenses
FY 2007	\$0.00	-\$2.00	-\$0.95
FY 2008	-0.10	-2.00	-0.50
FY 2009	0.50	-2.00	-0.40
FY 2010	0.70	0.00	-0.30
FY 2011	1.00	0.00	-0.30
FY 2012	1.80	0.00	-0.30
FY 2013	2.20	0.00	-0.30
FY 2014	2.60	0.00	-0.30
FY 2015	3.10	0.00	-0.30
FY 2016	4.20	0.00	-0.30
FY 2017	5.30	0.00	-0.30
FY 2018	6.40	0.00	-0.30
FY 2019	7.60	0.00	-0.30
FY 2020	8.80	0.00	-0.30
FY 2021	8.70	0.00	-0.30
FY 2022	8.70	0.00	-0.30
FY 2023	8.60	0.00	-0.30
FY 2024	8.50	0.00	-0.30
FY 2025	8.50	0.00	-0.30
FY 2026	8.40	0.00	-0.30
<b>Total</b>	<b>\$95.50</b>	<b>-\$6.00</b>	<b>-\$6.95</b>

If consumers realize a 20.0% reduction in gas mileage using E85, most will expect a price at least 20.0% below that of unblended gasoline. If regular gasoline has a pump price of \$2.25 per gallon, the mileage/price differential would be approximately \$0.45 per gallon.

Assuming passage of the Bill, as Amended, the combination of federal and State ethanol tax subsidies will be a maximum of \$0.712 per gallon for E85<sup>1</sup>. If the price of pure ethanol and the price of gasoline are similar, this level of subsidy will be more than sufficient to overcome the mileage disadvantage of E85. However, the futures price of ethanol and gasoline are currently not similar, with the May price of Ethanol currently \$0.63 above that of gasoline, with the differential not within \$0.35 per gallon until at least October.<sup>2</sup> This situation will hamper the development of an E85 retailer and consumer base until the price of ethanol falls or the price of gasoline rises (or a combination of the two).

If the price of pure ethanol is not low enough relative to pure gasoline, if the number of stations installing the necessary infrastructure is low, if the number of vehicles on Iowa roads is not sufficient, or if the consumer does not see an advantage in using E85 in their vehicle, fewer retailers will achieve the full biofuel thresholds. If that happens, the tax credits will not be utilized to the degree projected.

<sup>1</sup> This tax subsidy level assumes an average annual E85 ethanol content of 79.0%. The federal credit would equal \$0.411, the State E85 credit \$0.250, and the State ethanol gallons credit \$0.051 per gallon.

<sup>2</sup> The ethanol futures price is from the Chicago Board of Trade. The gasoline futures price is from the New York Mercantile Exchange. Prices quoted April 10, 2006.

**Appendix A**

**Renewable Fuels - Ethanol Volume Assumptions Without Bill**  
In Millions of Gallons

Calendar Year	Unblended	Ethanol E10	Ethanol E85	Aviation	Total	Replacement Percentage
CY 2005	413.6	1,211.8	0.2	2.6	1,628.2	7.4%
CY 2006	391.4	1,249.7	0.7	2.6	1,644.4	7.6%
CY 2007	377.7	1,278.8	1.7	2.6	1,660.8	7.8%
CY 2008	358.0	1,308.3	8.4	2.7	1,677.4	8.2%
CY 2009	336.1	1,338.3	16.9	2.7	1,694.0	8.7%
CY 2010	313.8	1,368.8	25.7	2.7	1,711.0	9.2%
CY 2011	295.4	1,399.8	30.2	2.7	1,728.1	9.5%
CY 2012	272.1	1,431.3	39.3	2.8	1,745.5	10.0%
CY 2013	248.4	1,463.2	48.5	2.8	1,762.9	10.5%
CY 2014	242.0	1,477.8	57.9	2.8	1,780.5	10.9%
CY 2015	235.4	1,492.6	67.4	2.8	1,798.2	11.3%
CY 2016	210.5	1,525.7	77.2	2.9	1,816.3	11.8%
CY 2017	185.1	1,559.3	87.1	2.9	1,834.4	12.3%
CY 2018	187.0	1,565.6	97.3	2.9	1,852.8	12.6%
CY 2019	188.8	1,571.9	107.6	3.0	1,871.3	12.9%
CY 2020	190.7	1,578.2	118.1	3.0	1,890.0	13.3%
CY 2021	192.6	1,584.4	128.9	3.0	1,908.9	13.6%
CY 2022	184.9	1,600.3	139.8	3.1	1,928.1	14.0%
CY 2023	186.8	1,606.5	150.9	3.1	1,947.3	14.4%
CY 2024	188.6	1,612.8	162.3	3.1	1,966.8	14.7%
CY 2025	190.5	1,619.0	173.8	3.1	1,986.4	15.1%

**Renewable Fuels - Ethanol Volume Assumptions With Bill**  
In Millions of Gallons

Calendar Year	Unblended	Ethanol E10	Ethanol E85	Aviation	Total	Replacement Percentage
CY 2005	413.6	1,211.8	0.0	2.6	1,628.0	7.4%
CY 2006	391.0	1,249.7	1.0	2.6	1,644.3	7.6%
CY 2007	367.3	1,285.3	6.6	2.6	1,661.9	8.1%
CY 2008	349.4	1,307.4	20.2	2.7	1,679.6	8.7%
CY 2009	319.9	1,338.4	37.0	2.7	1,698.0	9.6%
CY 2010	297.7	1,360.3	56.0	2.7	1,716.8	10.5%
CY 2011	279.7	1,369.6	86.3	2.8	1,738.4	11.8%
CY 2012	256.5	1,389.8	108.9	2.8	1,758.0	12.8%
CY 2013	232.7	1,410.2	132.1	2.8	1,777.9	13.8%
CY 2014	208.5	1,431.3	155.7	2.8	1,798.4	14.8%
CY 2015	202.2	1,411.4	206.8	2.9	1,823.3	16.7%
CY 2016	177.3	1,411.4	256.4	2.9	1,848.0	18.6%
CY 2017	151.6	1,408.8	310.2	3.0	1,873.6	20.6%
CY 2018	153.8	1,373.7	369.7	3.0	1,900.1	22.6%
CY 2019	155.9	1,337.3	430.8	3.1	1,927.1	24.6%
CY 2020	157.4	1,344.4	440.7	3.1	1,945.7	24.8%
CY 2021	119.7	1,396.7	444.8	3.1	1,964.3	25.0%
CY 2022	110.8	1,420.7	447.4	3.1	1,982.0	25.0%
CY 2023	111.8	1,433.6	451.5	3.2	2,000.1	25.0%
CY 2024	112.9	1,446.7	455.6	3.2	2,018.4	25.0%
CY 2025	113.9	1,460.0	459.7	3.2	2,036.8	25.0%

**Appendix B**

**Renewable Fuels - Biodiesel Calculations**

	Total Statewide Retail Diesel Gallons (Millions)	Statewide Biodiesel % of Total Retail Sales	Blended Biodiesel Gallons (Millions)	% Of Statewide Gallons Sold at 50%+ Locations	Gallons Qualified for Income Tax Credit (Millions)
CY 2005	765.1	7.0%	53.6	n/a	n/a
CY 2006	793.8	9.0%	71.4	25.0%	17.9
CY 2007	823.6	13.0%	107.1	45.0%	48.2
CY 2008	854.4	16.0%	136.7	75.0%	102.5
CY 2009	886.5	19.0%	168.4	75.0%	126.3
CY 2010	919.7	22.0%	202.3	75.0%	151.8
CY 2011	954.2	24.0%	229.0	75.0%	171.8
CY 2012	990.0	26.0%	257.4	75.0%	193.0

**Sources**

Department of Revenue (taxable fuel sales volume)  
Chicago Board of Trade (ethanol futures prices)  
New York Mercantile Exchange (gasoline futures prices)

Dennis C Prouty

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April 12, 2006

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

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S. Olson - Chair  
Zalk  
Kaufmann  
Drake  
Mertz  
Huhn  
Reese

Succeeded By  
SF (HF) 2735

HSB 587  
Agriculture

HOUSE FILE 02754  
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

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

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

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

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

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

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

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

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

NEW SUBSECTION. 1E. "Biodiesel blended fuel" means a 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 ethanol 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 ~~159A-2~~ 214A.1.

12 b. "EPAAct credit" means a credit issued pursuant to the  
13 federal Energy Policy Act (EPAAct), 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.

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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HOUSE FILE 2754

AN ACT

RELATING TO RENEWABLE FUEL AND ENERGY, PROVIDING INCENTIVES FOR INFRASTRUCTURE USED TO STORE AND DISPENSE RENEWABLE FUEL, PROVIDING FOR INCOME TAX CREDITS, PROVIDING FOR PENALTIES, AND PROVIDING EFFECTIVE AND APPLICABILITY DATES, INCLUDING RETROACTIVE APPLICABILITY.

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

DIVISION I

ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of this state that by January 1, 2020, all biofuel will replace twenty-five percent of all petroleum used in the formulation of gasoline.

Sec. 2. Section 214.1, subsections 1 through 3, Code 2005, are amended by striking the subsections and inserting in lieu thereof the following:

1. "Commercial weighing and measuring device" or "device" means the same as defined in section 215.26.

2. "Motor fuel" means the same as defined in section 214A.1.

3. "Motor fuel pump" means a pump, meter, or similar commercial weighing and measuring device used to measure and dispense motor fuel on a retail basis.

4. "Retail dealer" means the same as defined in section 214A.1.

5. "Wholesale dealer" means the same as defined in section 214A.1.

Sec. 3. 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 component, provided in section 214A.2.

NEW SUBSECTION. 1C. "Biofuel" means ethanol or biodiesel.

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

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

NEW SUBSECTION. 1F. "Diesel fuel" means any liquid, other than gasoline, which is suitable for use as a fuel in a diesel fuel powered engine, including but not limited to a motor vehicle, equipment as defined in section 322F.1, or a 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. 1G. "E-85 gasoline" means ethanol blended gasoline formulated with a minimum percentage of between seventy and eighty-five percent by volume of ethanol, if the formulation meets the standards provided in section 214A.2.

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

NEW SUBSECTION. 1I. "Ethanol blended gasoline" means a formulation of gasoline which is a liquid petroleum product

blended with ethanol, if the formulation meets the standards provided in section 214A.2.

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

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

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

NEW SUBSECTION. 6A. "Retail motor fuel site" means a geographic location in this state where a retail dealer sells and dispenses motor fuel on a retail basis.

Sec. 4. Section 214A.1, subsection 2, Code 2005, is amended to read as follows:

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

Sec. 5. Section 214A.1, subsections 6 and 8, Code 2005, are amended by striking the subsections and inserting in lieu thereof the following:

6. "Retail dealer" means a person engaged in the business of storing and dispensing motor fuel from a motor fuel pump

for sale on a retail basis, regardless of whether the motor fuel pump is located at a retail motor fuel site including a permanent or mobile location.

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

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

1. The secretary department shall adopt rules pursuant to chapter 17A for carrying out this chapter. The rules may include, but are not limited to, specifications relating to motor fuel or-oxygenate-octane-enhancers, including but not limited to renewable fuel such as ethanol blended gasoline, biodiesel, biodiesel blended fuel, and motor fuel components such as an oxygenate. In the interest of uniformity, the secretary department shall adopt by reference or-otherwise other specifications relating to tests and standards for motor fuel or-oxygenate-octane-enhancers including renewable fuel and motor fuel components, established by the United States environmental protection agency and A.S.T.M. (American-society for-testing-and-materials) internationally-unless-the-secretary determines-those-specifications-are-inconsistent-with-this chapter-or-are-not-appropriate-to-the-conditions-which-exist in-this-state. In adopting standards for a renewable fuel, the department shall consult with the committee.

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

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

b. If the motor fuel is advertised for sale or sold as ethanol blended gasoline, the motor fuel must comply with departmental standards which shall comply with specifications for ethanol blended gasoline adopted by A.S.T.M.

international. For ethanol blended gasoline all of the following shall apply:

(1) Ethanol must be an agriculturally derived ethyl alcohol that meets A.S.T.M. international specification D 4806 for denatured fuel ethanol for blending with gasoline for use as automotive spark-ignition engine fuel, or a successor A.S.T.M. international specification, as established by rules adopted by the department.

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

(3) E-85 gasoline must be an agriculturally derived ethyl alcohol that meets A.S.T.M. international specification D 5798, described as a fuel blend for use in ground vehicles with automotive spark-ignition engines, or a successor A.S.T.M. international specification, as established by rules adopted by the department.

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

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

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

b. If the motor fuel is advertised for sale or sold as biodiesel or biodiesel blended fuel, the motor fuel must comply with departmental standards which shall comply with specifications adopted by A.S.T.M. international for biodiesel or biodiesel blended fuel, to every extent applicable as determined by rules adopted by the department.

(1) Biodiesel must conform to A.S.T.M. international specification D 6751 or a successor A.S.T.M. international specification as established by rules adopted by the department. The specification shall apply to biodiesel before it leaves its place of manufacture.

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

(3) The biodiesel may be blended with diesel fuel whose sulfur, aromatic, lubricity, and cetane levels do not comply with A.S.T.M. international specification D 975 grades 1-D or 2-D, low sulfur 1-D or 2-D, or ultra-low sulfur grades 1-D or 2D, provided that the finished biodiesel blended fuel meets A.S.T.M. international specification D 975 or a successor A.S.T.M. international specification as established by rules adopted by the department.

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

214A.2A KEROSENE LABELING.

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

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

Sec. 10. Section 214A.3, Code 2005, is amended by striking the section and inserting in lieu thereof the following:

214A.3 ADVERTISING.

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

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

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

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

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

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

b. (1) Ethanol blended gasoline sold by a dealer shall be designated E-xx where "xx" is the volume percent of ethanol in the ethanol blended gasoline. However, a person advertising E-10 gasoline may only designate it as ethanol blended gasoline. A person shall not knowingly falsely advertise ethanol blended gasoline by using an inaccurate designation in violation of this subparagraph.

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

Sec. 11. Section 214A.5, Code 2005, is amended to read as follows:

**214A.5 SALES SLIP ON DEMAND.**

Each A wholesale dealer or retail dealer ~~in this state~~ shall, when making a sale of motor vehicle fuel, give to each a purchaser upon demand a sales slip, ~~upon which must be printed the words "This motor vehicle fuel conforms to the standard of specifications required by the state of Iowa."~~ Each ~~wholesale dealer in this state shall, when making a sale of oxygenate octane enhancer, give to each purchaser upon demand a sales slip upon which must be printed the words "This oxygenate octane enhancer conforms to the standard specifications required by the state of Iowa."~~

Sec. 12. Section 214A.7, Code 2005, is amended to read as follows:

**214A.7 DEPARTMENT INSPECTION -- SAMPLES TESTED.**

~~The department, its agents or employees,~~ shall, from time to time, make or cause to be made tests of any motor vehicle fuel or oxygenate octane enhancer which is being sold, or held or offered for sale within this state, ~~and for such purposes the inspectors have the right to.~~ An inspector may enter upon the premises of any wholesale dealer or retail dealer of motor vehicle fuel or oxygenate octane enhancer within this state, and to take from any container a sample of the motor vehicle fuel or oxygenate octane enhancer, not to exceed eight sixteen fluid ounces. The sample shall be sealed and appropriately marked or labeled by the inspector and delivered to the department. The department shall make, or cause to be made, complete analyses or tests of the motor vehicle fuel or oxygenate octane enhancer by the methods specified in section 214A.2.

Sec. 13. Section 214A.8, Code 2005, is amended to read as follows:

**214A.8 PROHIBITION.**

~~A retail or wholesale dealer defined in this chapter shall not knowingly sell any motor vehicle fuel or oxygenate octane enhancer biofuel in the state that fails to meet applicable standards and specifications set out in this chapter as provided in section 214A.2.~~

Sec. 14. Section 214A.11, Code 2005, is amended to read as follows:

**214A.11 VIOLATIONS PENALTIES.**

1. Any Except as provided in subsection 2, a person violating the provisions who violates a provision of this chapter shall be is guilty of a simple serious misdemeanor. Each day that a continuing violation occurs shall be considered a separate offense.

2. The state may proceed against a person who violates this chapter by initiating an alternative civil enforcement action in lieu of a prosecution. The alternative civil enforcement action may be brought against the person as a contested case proceeding by the department under chapter 17A or as a civil judicial proceeding by the attorney general upon

referral by the department. The department may impose, assess, and collect the civil penalty. The civil penalty shall be for at least one hundred dollars but not more than one thousand dollars for each violation. Each day that a continuing violation occurs shall be considered a separate offense.

a. Except as provided in paragraph "b", the state is precluded from prosecuting a violation pursuant to subsection 1, if the state is a party in the alternative civil enforcement action, the department has made a final decision in the contested case proceeding, or a court has entered a final judgment.

b. If a party to an alternative civil enforcement action fails to pay the civil penalty to the department within thirty days after the party has exhausted the party's administrative remedies and the party has not sought judicial review in accordance with section 17A.19, the department may order that its final decision be vacated. When the department's final decision is vacated, the state may initiate a criminal prosecution, but shall be precluded from bringing an alternative civil enforcement action. If a party to an alternative civil enforcement action fails to pay the civil penalty within thirty days after a court has entered a final judgment, the department may request that the attorney general petition the court to vacate its final judgment. When the court's judgment has been vacated, the state may initiate a criminal prosecution, but shall be precluded from bringing an alternative civil enforcement action.

#### DIVISION II

#### RENEWABLE FUEL AND ENERGY

Sec. 15. Section 15.103, subsection 1, paragraph b, subparagraph (7), Code Supplement 2005, is amended to read as follows:

(7) Economics or alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a".

Sec. 16. Section 15E.61, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The general assembly finds the following: Fundamental changes have occurred in national and international financial markets and in the financial markets of this state. A critical shortage of seed and venture capital resources exists in the state, and such shortage is impairing the growth of commerce in the state. A need exists to increase the availability of venture equity capital for emerging, expanding, and restructuring enterprises in Iowa, including, without limitation, enterprises in the life sciences, advanced manufacturing, information technology, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and value-added agriculture areas. Such investments will create jobs for Iowans and will help to diversify the state's economic base.

Sec. 17. Section 15E.223, subsection 4, Code 2005, is amended to read as follows:

4. "Targeted industry business" means an existing or proposed business entity, including an emerging small business or qualified business which is operated for profit and which has a primary business purpose of doing business in at least one of the targeted industries designated by the department which include life sciences, software and information technology, advanced manufacturing, value-added agriculture, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and any other industry designated as a targeted industry by the department.

Sec. 18. Section 15E.231, subsection 1, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. Development of the alternative and renewable energy sector.

Sec. 19. Section 15E.351, subsection 1, Code Supplement 2005, is amended to read as follows:

1. The department shall establish and administer a business accelerator program to provide financial assistance for the establishment and operation of a business accelerator for technology-based, value-added agricultural, information solutions, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", or advanced manufacturing start-up businesses or for a satellite of an existing business accelerator. The program shall be designed to foster the accelerated growth of new and existing businesses through the provision of technical assistance. The department shall use moneys appropriated to the department from the grow Iowa values fund pursuant to section 15G.111, subsection 1, subject to the approval of the economic development board, to provide financial assistance under this section.

Sec. 20. Section 260C.18A, subsection 2, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

Moneys deposited in the funds and disbursed to community colleges for a fiscal year shall be expended for the following purposes, provided seventy percent of the moneys shall be used on projects in the areas of advanced manufacturing, information technology and insurance, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and life sciences which include the areas of biotechnology, health care technology, and nursing care technology:

Sec. 21. Section 323A.1, Code 2005, is amended by adding the following new subsections:

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

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

Sec. 22. Section 323A.1, subsection 4, Code 2005, is amended to read as follows:

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

Sec. 23. Section 323A.2, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. At least forty-eight hours prior to entering into an agreement to purchase motor fuel from another source, the franchisee has requested delivery of motor fuel from the franchisor and the requested motor fuel has not been delivered and the franchisor has given the franchisee notice that the franchisor is unable to provide the requested motor fuel, or prior to entering into an agreement the franchisor has stated to the franchisee that the requested motor fuel will not be delivered. The request to the franchisor for delivery shall be for a type of fuel normally provided by the franchisor to the franchisee and for a quantity of fuel not exceeding the average amount sold by the franchisee in one week, based upon average weekly sales in the three months preceding the request, except that this provision shall not restrict a franchisee from purchasing ethanol blended gasoline from a source other than the franchisor or limit the quantity to be purchased when the franchisor does not normally supply the franchisee with ethanol blended gasoline. A franchisee may also purchase E-85 gasoline as provided in section 323A.2A.

Sec. 24. NEW SECTION. 323A.2A PURCHASE OF E-85 GASOLINE FROM OTHER SOURCE.

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

b. If a franchise is in effect on the effective date of this section of this Act and does not have an expiration date, the franchisor shall provide for the delivery of volumes of E-

85 gasoline at times demanded by the franchisee or shall allow the franchisee to purchase those volumes of E-85 gasoline at those times from another source.

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

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

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

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

#### SUBCHAPTER III

#### RENEWABLE FUEL INFRASTRUCTURE

Sec. 25. NEW SECTION. 455G.31 E-85 GASOLINE STORAGE AND DISPENSING INFRASTRUCTURE.

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

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

b. "Gasoline storage and dispensing infrastructure" means any storage tank located below ground or above ground and any associated equipment including but not limited to a pipe, hose, connection, fitting seal, or pump, which is used to store, measure, and dispense gasoline by a retail dealer.

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

a. For gasoline storage and dispensing infrastructure other than the dispenser, the department of natural resources under this chapter or the state fire marshal under chapter 101, division II must determine that it is compatible with E-85 gasoline.

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

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

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

A manufacturer's statement must include a written statement, with reference to a particular type and model of equipment for use in dispensing E-85 gasoline, signed by a responsible official on behalf of the manufacturer, provided either to the retail dealer using the gasoline storage and dispensing infrastructure or to the department of natural resources or the state fire marshal. If the written statement is provided to a retail dealer, the statement shall be retained in the files on the premises of the retail dealer and shall be available to personnel of the department of natural resources or the state fire marshal upon request.

3. This section is repealed July 1, 2009.

Sec. 26. CONFLICT WITH OTHER ACT. If the Eighty-first General Assembly enacts House File 2793 or any other Act that amends section 214.1 in a manner that conflicts with the amendments in this Act to section 214.1, the provisions of this Act shall prevail.

Sec. 27. EFFECTIVE DATE.

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

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

#### DIVISION III

#### RENEWABLE FUEL INFRASTRUCTURE PROGRAMS

SUBCHAPTER II

RENEWABLE FUEL INFRASTRUCTURE

Sec. 28. NEW SECTION. 15G.114 DEFINITIONS.

As used in this subchapter, unless the context otherwise requires:

1. "Biodiesel", "biodiesel blended fuel", "E-85 gasoline", "gasoline", "motor fuel", "motor fuel pump", "retail dealer", and "retail motor fuel site" mean the same as defined in section 214A.1.

2. "Department" means the Iowa department of economic development created in section 15.105.

3. "Infrastructure board" means the renewable fuel infrastructure board as created in section 15G.115.

4. "Motor fuel storage and dispensing infrastructure" or "infrastructure" means a tank and motor fuel pumps necessary to keep and dispense motor fuel at a retail motor fuel site, including but not limited to all associated equipment, dispensers, pumps, pipes, hoses, tubes, lines, fittings, valves, filters, seals, and covers.

5. "Terminal" means a storage and distribution facility for motor fuel or a blend stock such as ethanol or biodiesel that is stored on-site or off-site in bulk and that is supplied to a motor vehicle, pipeline, or a marine vessel and from which storage and distribution facility the motor fuel or blend stock may be removed at a rack. "Terminal" does not include any of the following:

- a. A retail motor fuel site.
- b. A facility at which motor fuel or special fuel, or blend stocks are used in the manufacture of products other than motor fuel and from which no motor fuel or special fuel is removed.

6. "Terminal operator" means a person who has responsibility for, or physical control over, the operation of a terminal, including by ownership, contractual agreement, or appointment.

7. "Underground storage tank fund board" means the Iowa comprehensive petroleum underground storage tank fund board established pursuant to section 455G.4.

Sec. 29. NEW SECTION. 15G.115 RENEWABLE FUEL INFRASTRUCTURE BOARD.

A renewable fuel infrastructure board is established within the department.

1. The department shall provide the infrastructure board with necessary facilities, items, and clerical support. The department shall perform administrative functions necessary for the management of the infrastructure board, and the renewable fuel infrastructure programs as provided in sections 15G.116 and 15G.117, all under the direction of the infrastructure board.

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

- a. One person representing insurers who is knowledgeable about issues relating to underground storage tanks.
- b. One person representing the petroleum industry who is knowledgeable about issues relating to petroleum refining, terminal operations, and petroleum or motor fuel distribution.
- c. Nine persons based on nominations made by the titular heads of all of the following:
  - (1) The agribusiness association of Iowa.
  - (2) The Iowa corn growers association.
  - (3) The Iowa farm bureau federation.
  - (4) The Iowa motor truck association.
  - (5) The Iowa soybean association.
  - (6) The petroleum marketers and convenience stores of Iowa.
  - (7) The Iowa petroleum equipment contractors association.
  - (8) The Iowa renewable fuels association.
  - (9) The Iowa grocery industry association.

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

4. The members of the infrastructure board shall serve five-year terms beginning and ending as provided in section

69.19. However, the governor shall appoint initial members to serve for less than five years to ensure members serve staggered terms. A member is eligible for reappointment. A vacancy on the board shall be filled for the unexpired portion of the regular term in the same manner as regular appointments are made.

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

6. The infrastructure board shall meet with three or more members of the underground storage tank fund board who shall represent the underground storage tank fund board. The representatives shall be available to advise the infrastructure board when the infrastructure board makes decisions regarding the awarding of financial incentives to a person under a renewable fuel infrastructure program provided in section 15G.116 or 15G.117.

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

8. Six members of the infrastructure board constitute a quorum and the affirmative vote of a majority of the members present is necessary for any substantive action to be taken by the infrastructure board. The majority shall not include any member who has a conflict of interest and a statement by a member that the member has a conflict of interest is conclusive for this purpose. A vacancy in the membership does not impair the duties of the infrastructure board.

Sec. 30. NEW SECTION. 15G.116 RENEWABLE FUEL INFRASTRUCTURE PROGRAM FOR RETAIL MOTOR FUEL SITES.

A renewable fuel infrastructure program is established in the department under the direction of the renewable fuel infrastructure board created pursuant to section 15G.115.

1. The purpose of the program is to improve a retail motor fuel site by installing, replacing, or converting motor fuel

storage and dispensing infrastructure. The infrastructure must be designed and shall be used exclusively to store and dispense renewable fuel which is E-85 gasoline, biodiesel, or biodiesel blended fuel on the premises of retail motor fuel sites operated by retail dealers.

2. A person may apply to the department to receive financial incentives on a cost-share basis. The department shall forward the applications to the underground storage tank fund board as required by that board for evaluation and recommendation. The underground storage tank fund board may rank the applications with comments and shall forward them to the infrastructure board for approval or disapproval. The department shall award financial incentives on a cost-share basis to an eligible person whose application was approved by the infrastructure board.

3. To all extent practical, the program shall be administered in conjunction with the programs provided in section 15.401.

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

- a. The person must be an owner or operator of the retail motor fuel site.
- b. The person must apply to the department in a manner and according to procedures required by the infrastructure board. The application must contain all information required by the infrastructure board and shall at least include all of the following:

- (1) The name of the person and the address of the retail motor fuel site to be improved.

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

(3) A statement describing how the retail motor fuel site is to be improved, the total estimated cost of the planned improvement, and the date when the infrastructure will be first used to store and dispense the renewable fuel.

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

5. A retail motor fuel site which is improved using financial incentives must comply with federal and state standards governing new or upgraded motor fuel storage tanks used to store and dispense the renewable fuel. A site classified as a no further action site pursuant to a certificate issued by the department of natural resources under section 455B.474 shall retain its classification following modifications necessary to store and dispense the renewable fuel and the owner or operator shall not be required to perform a new site assessment unless a new release occurs or if a previously unknown or unforeseen risk condition should arise.

6. The infrastructure board shall not approve a cost-share agreement which awards financial incentives to install, replace, or convert infrastructure associated with more than one motor fuel storage tank located at the same retail motor fuel site.

7. An award of financial incentives to a participating person shall be in the form of a grant.

In order to participate in the program an eligible person must execute a cost-share agreement with the department as approved by the infrastructure board in which the person contributes a percentage of the total costs related to improving the retail motor fuel site. The financial incentives awarded to the participating person shall not

exceed fifty percent of the actual cost of making the improvement or thirty thousand dollars, whichever is less. The infrastructure board may approve multiple awards to make improvements to a retail motor fuel site so long as the total amount of the awards does not exceed the limitations provided in this paragraph.

8. A participating person shall not use the infrastructure to store and dispense motor fuel other than the type of renewable fuel approved by the board in the cost-share agreement, unless one of the following applies:

a. The participating person is granted a waiver by the infrastructure board. The participating person shall store or dispense the motor fuel according to the terms and conditions of the waiver.

b. The renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759 is immediately repaid the total amount of moneys awarded to the participating person together with a monetary penalty equal to twenty-five percent of that awarded amount. The amount shall be deposited in the renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759.

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

Sec. 31. NEW SECTION. 15G.117 RENEWABLE FUEL INFRASTRUCTURE PROGRAM FOR BIODIESEL TERMINAL FACILITIES.

The department, under the direction of the renewable fuel infrastructure board created in section 15G.115 shall establish and administer a renewable fuel infrastructure program for terminal facilities that store and dispense biodiesel or biodiesel blended fuel. The infrastructure must be designed and shall be used exclusively to store and distribute biodiesel or biodiesel blended fuel. The department as directed by the infrastructure board shall provide a cost-share program for financial incentives.

1. A person may apply to the department to receive financial incentives on a cost-share basis. The department shall forward the applications to the underground storage tank fund board as required by that board for evaluation and recommendation. The underground storage tank fund board may rank the applications with comments and shall forward them to the infrastructure board for approval or disapproval. The department shall award financial incentives on a cost-share basis to an eligible person whose application was approved by the infrastructure board.

2. To all extent practical, the program shall be administered in conjunction with the programs provided in section 15.401.

3. The department shall award financial incentives to a terminal operator participating in the program as directed by the infrastructure board. In order to be eligible to participate in the program, the terminal operator must apply to the department in a manner and according to procedures required by the infrastructure board. The application must contain information required by the infrastructure board and shall at least include all of the following:

- a. The name of the terminal operator and the address of the terminal to be improved.
- b. A detailed description of the infrastructure to be installed, replaced, or converted.
- c. A statement describing how the terminal is to be improved, the total estimated cost of the planned improvement, and the date when the infrastructure will be first used to store and distribute biodiesel or biodiesel blended fuel.
- d. A statement certifying that the infrastructure shall not be used to store or dispense motor fuel other than biodiesel or biodiesel blended fuel, unless granted a waiver by the infrastructure board pursuant to this section.

4. An award of financial incentives to a participating person shall be in the form of a grant. In order to participate in the program an eligible person must execute a cost-share agreement with the department as approved by the

infrastructure board in which the person contributes a percentage of the total costs related to improving the terminal. The financial incentives awarded to the participating person shall not exceed fifty percent of the actual cost of making the improvements or fifty thousand dollars, whichever is less. The infrastructure board may approve multiple awards to make improvements to a terminal so long as the total amount of the awards does not exceed the limitations provided in this subsection.

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

- a. The participating terminal operator is granted a waiver by the infrastructure board. The participating terminal operator shall store or dispense the motor fuel according to the terms and conditions of the waiver.
- b. The renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759 is immediately repaid the total amount of moneys awarded to the participating terminal operator together with a monetary penalty equal to twenty-five percent of that awarded amount. The amount shall be deposited in the renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759.
- c. A participating terminal operator who acts in violation of an agreement executed with the department pursuant to this section is subject to a civil penalty of not more than one thousand dollars a day for each day of the violation. The civil penalty shall be deposited into the general fund of the state.

**Sec. 32. NEW SECTION. 15G.120 REPORT.**

1. By January 15 of each year, the renewable fuel infrastructure board shall approve that part of the department's report required to be submitted to the governor and general assembly by the department regarding projects supported from the grow Iowa values fund as provided in section 15.104 which provides information regarding

expenditures to support renewable fuel infrastructure programs as provided in sections 15G.116 and 15G.117. That part of the report approved by the board shall include the same information as required for business finance projects funded during the previous fiscal year.

2. This section is repealed on July 1, 2012.

**Sec. 33. DEPARTMENTAL STUDY -- E-85 GASOLINE AVAILABILITY.**

The state department of transportation and the department of natural resources shall cooperate to conduct a study to provide methods to inform persons of the availability of E-85 gasoline offered for sale and distribution by retail dealers of motor fuel in this state, including the location of each retail motor fuel site where a retail dealer offers E-85 gasoline for sale and distribution. The department's study shall include methods for identifying those locations for the convenience of the traveling public including but not limited to the identification of those locations on roadside signs and on the official Iowa map published pursuant to section 307.14. The departments shall jointly prepare and deliver a report to the governor and general assembly, which includes findings and recommendations, not later than January 10, 2007.

**Sec. 34. EMERGENCY RULES.** The Iowa department of economic development and the Iowa comprehensive petroleum underground storage tank fund board shall adopt emergency rules under section 17A.4, subsection 2, and section 17A.5, subsection 2, paragraph "b", to implement the provisions of this division and the rules shall be effective immediately upon filing, but not later than June 1, 2006. Any rules adopted in accordance with this section shall also be published as a notice of intended action as provided in section 17A.4, subsection 1.

**DIVISION IV**

**RENEWABLE FUEL INCOME TAX CREDIT PROVISIONS**

**Sec. 35.** Section 422.11C, subsection 1, paragraphs a through g, Code 2005, are amended by striking the paragraphs and inserting in lieu thereof the following:

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

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

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

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

**Sec. 36.** Section 422.11C, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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

**Sec. 37.** Section 422.11C, subsection 3, Code 2005, is amended to read as follows:

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

3A. A retail dealer is eligible to claim a designated ethanol blended gasoline tax credit as provided in this section even though the retail dealer claims an E-85 gasoline promotion tax credit pursuant to section 422.11O for the same tax year for the same ethanol gallonage.

**Sec. 38.** Section 422.11C, Code 2005, is amended by adding the following new subsection:

**NEW SUBSECTION.** 6. This section is repealed on January 1, 2009.

**Sec. 39. NEW SECTION.** 422.11N ETHANOL PROMOTION TAX CREDIT.

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

- a. "E-85 gasoline", "ethanol", "ethanol blended gasoline", "gasoline", and "retail dealer" mean the same as defined in section 214A.1.
- b. "Flexible fuel vehicle" means the same as defined in section 452A.2.
- c. "Motor fuel" means the same as defined in section 452A.2.
- d. "Motor fuel pump" means the same as defined in section 214.1.
- e. "Sell" means to sell on a retail basis.
- f. "Tax credit" means the ethanol promotion tax credit as provided in this section.

2. The special terms provided in section 452A.31 shall also apply to this section.

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

- a. The taxpayer is a retail dealer who sells and dispenses ethanol blended gasoline through a motor fuel pump in the tax year in which the tax credit is claimed.

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

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

- a. The retail dealer's biofuel distribution percentage which is the sum of the retail dealer's total ethanol gallonage plus the retail dealer's total biodiesel gallonage expressed as a percentage of the retail dealer's total gasoline gallonage, in the retail dealer's applicable determination period.

- b. The retail dealer's biofuel threshold percentage is as follows:

(1) For a retail dealer who sells and dispenses more than two hundred thousand gallons of motor fuel in an applicable determination period, the retail dealer's biofuel threshold percentage is as follows:

- (a) Ten percent for the determination period beginning on January 1, 2009, and ending December 31, 2009.
- (b) Eleven percent for the determination period beginning on January 1, 2010, and ending December 31, 2010.
- (c) Twelve percent for the determination period beginning on January 1, 2011, and ending December 31, 2011.
- (d) Thirteen percent for the determination period beginning on January 1, 2012, and ending December 31, 2012.
- (e) Fourteen percent for the determination period beginning on January 1, 2013, and ending December 31, 2013.
- (f) Fifteen percent for the determination period beginning on January 1, 2014, and ending December 31, 2014.
- (g) Seventeen percent for the determination period beginning on January 1, 2015, and ending December 31, 2015.
- (h) Nineteen percent for the determination period beginning on January 1, 2016, and ending December 31, 2016.
- (i) Twenty-one percent for the determination period beginning on January 1, 2017, and ending December 31, 2017.
- (j) Twenty-three percent for the determination period beginning on January 1, 2018, and ending December 31, 2018.
- (k) Twenty-five percent for each determination period beginning on and after January 1, 2019.

(2) For a retail dealer who sells and dispenses two hundred thousand gallons of motor fuel or less in an applicable determination period, the biofuel threshold percentages shall be:

- (a) Six percent for the determination period beginning on January 1, 2009, and ending December 31, 2009.
- (b) Six percent for the determination period beginning on January 1, 2010, and ending December 31, 2010.
- (c) Ten percent for the determination period beginning on January 1, 2011, and ending December 31, 2011.

- (d) Eleven percent for the determination period beginning on January 1, 2012, and ending December 31, 2012.
  - (e) Twelve percent for the determination period beginning on January 1, 2013, and ending December 31, 2013.
  - (f) Thirteen percent for the determination period beginning on January 1, 2014, and ending December 31, 2014.
  - (g) Fourteen percent for the determination period beginning on January 1, 2015, and ending December 31, 2015.
  - (h) Fifteen percent for the determination period beginning on January 1, 2016, and ending December 31, 2016.
  - (i) Seventeen percent for the determination period beginning on January 1, 2017, and ending December 31, 2017.
  - (j) Nineteen percent for the determination period beginning on January 1, 2018, and ending December 31, 2018.
  - (k) Twenty-one percent for the determination period beginning on January 1, 2019, and ending December 31, 2019.
  - (l) Twenty-three percent for the determination period beginning on January 1, 2020, and ending December 31, 2020.
  - (m) Twenty-five percent for each determination period beginning on and after January 1, 2021.
- (3) Notwithstanding paragraph "a", the governor may adjust a biofuel threshold percentage for a determination period if the governor finds that exigent circumstances exist. Exigent circumstances exist due to potential substantial economic injury to the state's economy. Exigent circumstances also exist if it is probable that a substantial number of retail dealers cannot comply with a biofuel threshold percentage during a determination period due to any of the following:
- (a) Less than the target number of flexible fuel vehicles are registered under chapter 321. The target numbers of flexible fuel vehicles are as follows:
    - (i) On January 1, 2011, two hundred fifty thousand.
    - (ii) On January 1, 2014, three hundred fifty thousand.
    - (iii) On January 1, 2017, four hundred fifty thousand.
    - (iv) On January 1, 2019, five hundred fifty thousand.
  - (b) A shortage in the biofuel feedstock resulting in a dramatic decrease in biofuel inventories.

If the governor finds that exigent circumstances exist, the governor may reduce the applicable biofuel threshold percentage by replacing it with an adjusted biofuel threshold percentage. The governor shall consult with the department of revenue and the renewable fuels and coproducts advisory committee established pursuant to section 159A.4. The governor shall make the adjustment by giving notice of intent to issue a proclamation which shall take effect not earlier than thirty-five days after publication in the Iowa administrative bulletin of a notice to issue the proclamation. The governor shall provide a period of notice and comment in the same manner as provided in section 17A.4, subsection 1. The adjusted biofuel threshold percentage shall be effective for the following determination period.

c. The retail dealer's biofuel threshold percentage disparity which is a positive percentage difference obtained by taking the minuend which is the retail dealer's biofuel distribution percentage and subtracting from it the subtrahend which is the retail dealer's biofuel threshold percentage, in the retail dealer's applicable determination period.

d. The tax credit shall be calculated separately for each retail motor fuel site or other permanent or temporary location from which the retail dealer sells and dispenses ethanol blended gasoline.

5. a. For a retail dealer whose tax year is the same as a determination period beginning on January 1 and ending on December 31, the retail dealer's tax credit is calculated by multiplying the retail dealer's total ethanol gallonage by a tax credit rate, which may be adjusted based on the retail dealer's biofuel threshold percentage disparity. The tax credit rate is as follows:

(1) For any tax year in which the retail dealer has attained a biofuel threshold percentage for the determination period, the tax credit rate is six and one-half cents.

(2) For any tax year in which the retail dealer has not attained a biofuel threshold percentage for the determination period, the tax credit rate shall be adjusted based on the

retail dealer's biofuel threshold percentage disparity. The amount of the adjusted tax credit rate is as follows:

(a) If the retail dealer's biofuel threshold percentage disparity equals two percent or less, the tax credit rate is four and one-half cents.

(b) If the retail dealer's biofuel threshold percentage disparity equals more than two percent but not more than four percent, the tax credit rate is two and one-half cents.

(c) A retail dealer is not eligible for a tax credit if the retail dealer's biofuel threshold percentage disparity equals more than four percent.

b. For a retail dealer whose tax year is not the same as a determination period beginning on January 1 and ending on December 31, the retail dealer shall calculate the tax credit twice, as follows:

(1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in paragraph "a".

(2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in paragraph "a".

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

7. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

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

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

9. This section is repealed on January 1, 2026.

Sec. 40. NEW SECTION. 422.110 E-85 GASOLINE PROMOTION TAX CREDIT.

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

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

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

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

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

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

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

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

3. For a retail dealer whose tax year is on a calendar year basis, the retail dealer shall calculate the amount of the tax credit by multiplying a designated rate by the retail dealer's total E-85 gasoline gallonage as provided in sections 452A.31 and 452A.32. The designated rate is as follows:

a. For calendar year 2006, calendar year 2007, and calendar year 2008, twenty-five cents.

b. For calendar year 2009 and calendar year 2010, twenty cents.

- c. For calendar year 2011, ten cents.
  - d. For calendar year 2012, nine cents.
  - e. For calendar year 2013, eight cents.
  - f. For calendar year 2014, seven cents.
  - g. For calendar year 2015, six cents.
  - h. For calendar year 2016, five cents.
  - i. For calendar year 2017, four cents.
  - j. For calendar year 2018, three cents.
  - k. For calendar year 2019, two cents.
  - l. For calendar year 2020, one cent.
4. For a retail dealer whose tax year is not on a calendar year basis, the retail dealer shall calculate the tax credit twice, as follows:
- a. For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in subsection 3.
  - b. For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in subsection 3.
5. A retail dealer is eligible to claim an E-85 gasoline promotion tax credit as provided in this section even though the retail dealer claims an ethanol promotion tax credit pursuant to section 422.11N for the same tax year for the same ethanol gallonage.
6. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.
7. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be

based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

8. This section is repealed on January 1, 2021.

Sec. 41. NEW SECTION. 422.11P BIODIESEL BLENDED FUEL TAX CREDIT.

1. As used in this section, unless the context otherwise requires:
- a. "Biodiesel blended fuel", "diesel fuel", and "retail dealer" mean the same as defined in section 214A.1.
  - b. "Motor fuel pump" means the same as defined in section 214.1.
  - c. "Sell" means to sell on a retail basis.
  - d. "Tax credit" means a biodiesel blended fuel tax credit as provided in this section.
2. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by the amount of the biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim a tax credit under this subsection.
- a. In order to be eligible, all of the following must apply:
    - (1) The taxpayer is a retail dealer who sells and dispenses biodiesel blended fuel through a motor fuel pump in the tax year in which the tax credit is claimed.
    - (2) Of the total gallons of diesel fuel that the retail dealer sells and dispenses through all motor fuel pumps during the retail dealer's tax year, fifty percent or more is biodiesel blended fuel which meets the requirements of this section.
    - (3) The retail dealer complies with requirements of the department established to administer this section.
  - b. The tax credit shall apply to biodiesel blended fuel formulated with a minimum percentage of two percent by volume of biodiesel, if the formulation meets the standards provided in section 214A.2.

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

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

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

6. This section is repealed January 1, 2012.

Sec. 42. Section 422.33, subsection 11, paragraph a, subparagraph (1), Code Supplement 2005, is amended to read as follows:

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

Sec. 43. Section 422.33, subsection 11, paragraph b, subparagraph (2), Code Supplement 2005, is amended to read as follows:

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

Sec. 44. Section 422.33, subsection 11, paragraph c, Code Supplement 2005, is amended to read as follows:

c. (1) The tax credit shall be calculated separately for each service-station retail motor fuel site operated by the taxpayer.

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

Sec. 45. Section 422.33, subsection 11, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. This subsection is repealed on January 1, 2009.

Sec. 46. Section 422.33, Code Supplement 2005, is amended by adding the following new subsections:

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

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

b. Any ethanol promotion tax credit which is in excess of the taxpayer's tax liability shall be refunded or may be shown on the taxpayer's final, completed return credited to the tax liability for the following tax year in the same manner as provided in section 422.11N.

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

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

a. The taxpayer shall claim the tax credit in the same manner as provided in section 422.11O. The taxpayer may claim the tax credit according to the same requirements, for the

same amount, and calculated in the same manner, as provided for the E-85 gasoline promotion tax credit pursuant to section 422.110.

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

c. This subsection is repealed on January 1, 2021.

Sec. 47. Section 422.33, Code Supplement 2005, is amended by adding the following new subsection:

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

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

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

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

Sec. 48. RETROACTIVE APPLICABILITY DATE. Sections 422.110 and 422.11P, as enacted in this Act, and section 422.33, subsections 11B, and 11C, as enacted in this Act, apply retroactively to tax years beginning on or after January 1, 2006.

Sec. 49. TAX CREDIT AVAILABILITY.

1. For a retail dealer who may claim a designated ethanol blended gasoline tax credit under section 422.11C or 422.33, subsection 11, as amended by this Act, in calendar year 2008 and whose tax year ends prior to December 31, 2008, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit

shall be calculated in the same manner as provided in section 422.11C or 422.33, subsection 11, as amended by this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2008. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2008.

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

3. For a retail dealer who may claim an E-85 gasoline promotion tax credit under section 422.11O or 422.33, subsection 11B, as enacted in this Act, in calendar year 2020 and whose tax year ends prior to December 31, 2020, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11O or 422.33, subsection 11B, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2020. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2020.

4. For a retail dealer who may claim a biodiesel blended fuel tax credit under section 422.11P or 422.33, subsection 11C, as enacted in this Act, in calendar year 2006 and whose tax year ends before December 31, 2006, the retail dealer may claim the tax credit during the period beginning January 1, 2006, and ending on the last day of the retail dealer's tax year, if of the total gallons of diesel fuel that the retail dealer sells and dispenses through all motor fuel pumps during that period, fifty percent or more is biodiesel blended fuel which meets the requirements of section 422.11P or 422.33, subsection 11C, as enacted in this Act.

5. For a retail dealer who may claim a biodiesel blended fuel tax credit under section 422.11P or 422.33, subsection 11C, as enacted in this Act, in calendar year 2011 and whose tax year ends prior to December 31, 2011, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11P or 422.33, subsection 11C, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2011. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2011.

#### DIVISION V

##### PETROLEUM REPLACEMENT INITIATIVE

Sec. 50. Section 452A.2, subsection 2, Code Supplement 2005, is amended by striking the subsection and inserting in lieu thereof the following:

2. "Biofuel" means the same as defined in section 214A.1.

Sec. 51. Section 452A.2, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. "Biodiesel" means the same as defined in section 214A.1.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means the same as defined in section 214A.1.

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

NEW SUBSECTION. 10A. "Ethanol" means the same as defined in section 214A.1.

NEW SUBSECTION. 13A. "Flexible fuel vehicle" means a motor vehicle as defined in section 321M.1 which is powered by an engine capable of operating using E-85 gasoline.

NEW SUBSECTION. 13B. "Gasoline" means the same as defined in section 214A.1.

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

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

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

Sec. 52. Section 452A.2, subsection 11, Code Supplement 2005, is amended to read as follows:

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

Sec. 53. Section 452A.2, subsection 19, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

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

Sec. 54. NEW SECTION. 452A.31 SPECIAL TERMS.

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

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

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

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

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

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

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

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

3. a. A retail dealer's total diesel fuel gallonage is the total number of gallons of diesel fuel, which the retail dealer sells and dispenses from all motor fuel pumps operated by the retail dealer in this state during a twelve-month period beginning January 1 and ending December 31. The retail dealer's total diesel fuel gallonage is divided into the following classifications:

(1) The total biodiesel blended fuel gallonage which is the retail dealer's total number of gallons of biodiesel blended fuel.

(2) The total nonblended diesel fuel gallonage which is the total number of gallons of diesel fuel which is not biodiesel or biodiesel blended fuel.

b. A retail dealer's total biodiesel gallonage is the total number of gallons of biodiesel which may or may not be a component of biodiesel blended fuel, and which the retail dealer sells and dispenses from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

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

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

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

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

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

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

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

(1) The aggregate biodiesel blended fuel gallonage which is the aggregate number of gallons of biodiesel blended fuel.

(2) The aggregate nonblended diesel fuel gallonage which is the aggregate number of gallons of diesel fuel which is not biodiesel or biodiesel blended fuel.

b. The aggregate biodiesel gallonage is the total number of gallons of biodiesel which may or may not be a component of

biodiesel blended fuel, and which all retail dealers sell and dispense from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

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

b. The aggregate per gallon distribution percentage which is the aggregate ethanol blended gasoline gallonage expressed as a percentage of the aggregate gasoline gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

7. a. The aggregate biodiesel distribution percentage is the aggregate biodiesel gallonage expressed as a percentage of the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

b. The aggregate per gallon distribution percentage is the aggregate biodiesel blended fuel gallonage expressed as a percentage of the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

8. The aggregate biofuel distribution percentage is the sum of the aggregate ethanol gallonage plus the aggregate biodiesel gallonage expressed as a percentage of the sum of the aggregate gasoline gallonage plus the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

Sec. 55. NEW SECTION. 452A.32 SCHEDULE FOR AVERAGING ETHANOL CONTENT IN E-85 GASOLINE.

The department shall establish a schedule listing the average amount of ethanol contained in E-85 gasoline as defined in section 214A.1, for use by a retail dealer in calculating the retail dealer's total ethanol gallonage, as provided in section 452A.31. In establishing the schedule, the department shall assume that a retail dealer begins selling and dispensing E-85 gasoline from a motor fuel pump on

the first day of a month and ceases selling and distributing E-85 gasoline on the last day of a month.

Sec. 56. NEW SECTION. 452A.33 REPORTING REQUIREMENTS.

1. a. Each retail dealer shall report its total motor fuel gallonage for a determination period as follows:

(1) Its total gasoline gallonage and its total ethanol gallonage, including for each classification and subclassification as provided in section 452A.31.

(2) Its total diesel fuel gallonage and its total biodiesel gallonage, including for each classification and subclassification as provided in section 452A.31.

b. The report shall include a breakdown of the information required in paragraph "a" for each retail motor fuel site or other permanent or temporary location from which the retail dealer sells and dispenses motor fuel.

c. The retail dealer shall prepare and submit the report in a manner and according to procedures required by the department. The department may require that retail dealers report to the department on an annual, quarterly, or monthly basis.

d. The information included in a report submitted by a retail dealer is deemed to be a trade secret, protected as a confidential record pursuant to section 22.7.

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

a. (1) The aggregate gasoline gallonage for the previous determination period, including for all classifications and subclassifications as provided in section 452A.31.

(2) The aggregate diesel fuel gallonage for the previous determination period, including for all classifications and subclassifications as provided in section 452A.31.

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

(2) The aggregate biodiesel distribution percentage for the previous determination period.

c. The report shall not provide information regarding motor fuel or biofuel which is sold and dispensed by an individual retail dealer or at a particular retail motor fuel site. The report shall not include a trade secret protected as a confidential record pursuant to section 22.7.

3. On or before February 1 of each year, the state department of transportation shall deliver a report to the governor and the legislative services agency providing information regarding flexible fuel vehicles registered in this state during the previous determination period. The information shall state all of the following:

a. The aggregate number of flexible fuel vehicles.

b. Of the aggregate number of flexible fuel vehicles, all of the following:

(1) The number of flexible fuel vehicles according to the year of manufacture.

(2) The number of passenger vehicles and the number of passenger vehicles according to the year of manufacture.

(3) The number of light pickup trucks and the number of light pickup trucks according to the year of manufacture.

#### DIVISION VI

##### COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

Sec. 57. Section 8A.362, subsection 3, Code 2005, is amended to read as follows:

3. a. The director shall provide for a record system for the keeping of records of the total number of miles state-owned motor vehicles are driven and the per-mile cost of operation of each motor vehicle. Every state officer or employee shall keep a record book to be furnished by the director in which the officer or employee shall enter all purchases of gasoline, lubricating oil, grease, and other incidental expense in the operation of the motor vehicle assigned to the officer or employee, giving the quantity and price of each purchase, including the cost and nature of all repairs on the motor vehicle. Each operator of a state-owned

motor vehicle shall promptly prepare a report at the end of each month on forms furnished by the director and forwarded to the director, giving the information the director may request in the report. Each month the director shall compile the costs and mileage of state-owned motor vehicles from the reports and keep a cost history for each motor vehicle and the costs shall be reduced to a cost-per-mile basis for each motor vehicle. The director shall call to the attention of an elected official or the head of any state agency to which a motor vehicle has been assigned any evidence of the mishandling or misuse of a state-owned motor vehicle which is called to the director's attention.

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

Sec. 58. Section 8A.362, subsection 5, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel-blended-with-not-more-than-fifteen-percent E-85 gasoline and-at-least-eighty-five-percent-ethanol as provided in section 214A.2.~~

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

Sec. 59. Section 216B.3, subsection 16, paragraph a, Code 2005, is amended to read as follows:

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

Sec. 60. Section 216B.3, subsection 16, paragraph b, subparagraph (1), subparagraph subdivisions (a) and (b), Code 2005, are amended to read as follows:

(a) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol as provided in section 214A.2.~~

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

Sec. 61. Section 260C.19A, subsection 1, Code 2005, is amended to read as follows:

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

Sec. 62. Section 260C.19A, subsection 2, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol as provided in section 214A.2.~~

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

Sec. 63. Section 262.25A, subsection 2, Code 2005, is amended to read as follows:

2. A motor vehicle purchased by the institutions shall not operate on gasoline other than ethanol blended gasoline blended with at least ten percent ethanol as defined in section 214A.1, unless under emergency circumstances. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended with at least ten percent ethanol if commercially available. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended with ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 64. Section 262.25A, subsection 3, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol as provided in section 214A.2.~~

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

Sec. 65. Section 279.34, Code 2005, is amended to read as follows:

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

A motor vehicle purchased by or used under the direction of the board of directors to provide services to a school corporation shall not, on or after January 1, 1993, operate on gasoline other than ethanol blended gasoline blended with at least ten percent ethanol as defined in section 214A.1. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended with ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 66. Section 307.21, subsection 4, paragraph d, Code 2005, is amended to read as follows:

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

Sec. 67. Section 307.21, subsection 5, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol as provided in section 214A.2.

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

Sec. 68. Section 331.908, Code 2005, is amended to read as follows:

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

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

Sec. 69. Section 364.20, Code 2005, is amended to read as follows:

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

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

Sec. 70. Section 904.312A, subsection 1, Code 2005, is amended to read as follows:

1. A motor vehicle purchased by the department shall not operate on gasoline other than ethanol blended gasoline blended with at least ten percent ethanol as defined in section 214A.1. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended with at least ten percent ethanol. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended

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

Sec. 71. Section 904.312A, subsection 2, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol as provided in section 214A.2.~~

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

DIVISION VII

COORDINATING PROVISIONS -- MISCELLANEOUS

Sec. 72. Section 15.401, Code Supplement 2005, is amended to read as follows:

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

1. As used in this section, unless the context otherwise requires, "biodiesel", "biodiesel blended fuel", "E-85 gasoline", and "retail motor fuel site" mean the same as defined in section 214A.1.

2. The department shall provide a cost-share program for financial incentives for the installation or conversion of infrastructure used by service stations retail motor fuel sites to do all of the following:

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

b. Install or convert infrastructure required to establish on-site and off-site terminal facilities that store biodiesel or biodiesel blended fuel for distribution to service stations retail motor fuel sites.

3. The department shall provide for an addition of at least thirty new or converted E-85 gasoline retail outlets and four new or converted on-site or off-site terminal facilities with a maximum expenditure of three hundred twenty-five thousand dollars per year for the fiscal period beginning July

1, 2005, and ending June 30, 2008. The department may provide for the marketing of these products in conjunction with this infrastructure program.

4. The department shall consult with the renewable fuel infrastructure board created in section 15G.115 in administering this section.

Sec. 73. Section 159A.2, Code 2005, is amended by adding the following new subsections:

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

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

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

Sec. 74. Section 159A.2, subsection 6, Code 2005, is amended by striking the subsection and inserting in lieu thereof the following:

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

Sec. 75. Section 159A.2, subsection 8, Code 2005, is amended by striking the subsection.

Sec. 76. Section 159A.3, subsection 3, Code 2005, is amended to read as follows:

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

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

Sec. 77. Section 214A.19, subsection 1, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The department of natural resources, conditioned upon the availability of funds, is authorized to award demonstration grants to persons who purchase vehicles which operate on alternative fuels, including but not limited to, high-blend

ethanol E-85 gasoline, biodiesel, compressed natural gas, electricity, solar energy, or hydrogen. A grant shall be for the purpose of conducting research connected with the fuel or the vehicle, and not for the purchase of the vehicle itself, except that the money may be used for the purchase of the vehicle if all of the following conditions are satisfied:

Sec. 78. Section 307.20, Code 2005, is amended to read as follows:

307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING FUND.

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

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

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

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

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

Sec. 79. Section 452A.2, subsection 3, Code Supplement 2005, is amended to read as follows:

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

Sec. 80. Section 452A.2, subsection 21, Code Supplement 2005, is amended to read as follows:

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

Sec. 81. Section 452A.3, subsection 1B, Code Supplement 2005, is amended to read as follows:

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

Sec. 82. Section 452A.6, Code 2005, is amended to read as follows:

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

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

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

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

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

DIVISION VIII  
CHANGE OF TERMS

Sec. 83. CHANGE OF TERMS.

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

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

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

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

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CHRISTOPHER C. RANTS  
Speaker of the House

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JEFFREY M. LAMBERTI  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2754, Eighty-first General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved 5/30, 2006

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THOMAS J. VILSACK  
Governor