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SENATE FILE 2184
BY COMMITTEE ON NATURAL RESOURCES
AND ENVIRONMENT

(SUCCESSOR TO SSB 3054)

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

A BILL FOR

1 An Act relating to renewable fuel, including ethanol blended fuel
2 and biodiesel blended fuel, providing for tax credits,
3 providing for appropriations, providing penalties, and
4 providing an effective date.

5 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. 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 combustible liquid comprised of mono-alkyl esters of long chain fatty acids which is all of the following:

a. A renewable fuel that 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.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means a formulation of diesel fuel which is a liquid petroleum product blended with biodiesel.

NEW SUBSECTION. 1C. "Business association" means the same as defined in section 202B.102.

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 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.

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

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

4 NEW SUBSECTION. 1I. "Ethanol blended gasoline" means a
5 formulation of gasoline which is a liquid petroleum product
6 blended with ethanol, if the formulation meets the standards
7 provided in section 214A.2.

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

13 NEW SUBSECTION. 1K. "Motor fuel pump" means the same as
14 defined in section 214.1.

15 NEW SUBSECTION. 1L. "Motor fuel retail business" or
16 "business" means a person who is a retail dealer or who
17 exercises control over the management decisions of a retail
18 dealer, including any business association, which owns or
19 controls one or more service stations.

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 ethanol blended gasoline, biodiesel, or biodiesel blended fuel
27 meeting the standards of section 214A.2.

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

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

33 2. "Motor ~~vehicle~~ 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. 3. 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 who operates a place of
12 business where motor fuel is stored and dispensed from a motor
13 fuel pump for sale on a retail basis, including a service
14 station or mobile location.

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. 4. NEW SECTION. 214A.1A MOTOR FUEL QUALITY
20 ASSURANCE SCHEDULE.

21 1. The department shall adopt a schedule which provides a
22 schedule of departmental improvements required for each fiscal
23 year necessary to assure that motor fuel sold and dispensed
24 from motor fuel pumps in this state meets all applicable
25 standards as provided in section 214A.2. On or before June 1
26 of each year, and based on the schedule of improvements, the
27 secretary of agriculture shall certify the amount required to
28 implement the improvements required for the next fiscal year
29 to the director of the department of management and the fiscal
30 services division of the legislative services agency. The
31 department of management shall conduct a review of the
32 scheduled improvements for that fiscal year and may reduce the
33 amount certified by the secretary if the department of
34 management determines that a lesser amount is adequate. The
35 director of the department of management and the secretary

1 shall report their findings to the legislative government
2 oversight committees as required by the committees'
3 chairpersons.

4 2. For each fiscal year, of the moneys appropriated to
5 each state agency to support the production or use of ethanol,
6 ethanol blended gasoline, biodiesel, or biodiesel blended fuel
7 as defined in section 214A.1, the department of management
8 shall transfer a prorated share of the state agency's
9 appropriation as is necessary to satisfy the amount required
10 to comply with the schedule of improvements for that fiscal
11 year as directed by the department of management. The
12 department of management shall identify each affected
13 appropriation and notify each head of a department of the
14 transfer of the prorated share on or before June 15 of each
15 year.

16 Sec. 5. NEW SECTION. 214A.1B QUALITY ASSURANCE FOR
17 BIODIESEL PRODUCTION.

18 A biodiesel producer who produces biodiesel for use as a
19 motor fuel or as a component of a motor fuel shall not sell
20 biodiesel or biodiesel blended fuel in this state, and a
21 dealer shall not purchase biodiesel or biodiesel blended fuel
22 from a biodiesel producer, unless the biodiesel is certified
23 as follows:

24 1. A biodiesel producer may be certified pursuant to a
25 quality assurance program for biodiesel producers. The
26 department, in consultation with the committee, shall
27 prescribe audit standards as part of the program. The
28 department shall perform a formal review and audit of the
29 capacity and commitment of the biodiesel producer to produce
30 or market biodiesel or biodiesel blended fuel in a manner and
31 according to procedures that meet the program standards for
32 quality, including A.S.T.M. international specifications and
33 requirements for the storage, sampling, testing, blending,
34 shipping, and distribution of biodiesel and biodiesel blended
35 fuel as established by the department. The department shall

1 certify a biodiesel producer that complies with program
2 requirements.

3 2. A biodiesel producer may be certified by a designated
4 fuel testing facility as selected by the department. A
5 biodiesel producer must submit a representative, random sample
6 of biodiesel on a quarterly basis to the designated fuel
7 testing facility. A new biodiesel producer must submit a
8 sample within the first quarter of commercial production for
9 testing and certification. However, the new biodiesel
10 producer is exempted from the certification requirement until
11 the first quarter testing and certification is complete. The
12 testing facility shall determine if the biodiesel meets the
13 department's standards for quality. If the biodiesel sample
14 conforms to the department's standards, the department shall
15 certify the biodiesel producer. The designated fuel testing
16 facility shall notify the department of the determination as
17 required by the department.

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

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

1 committee when establishing the standards.

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

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

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

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

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

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

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

25 (3) In calculating the percentage of ethanol required for
26 the formulation of ethanol blended gasoline fuel, a percentage
27 of a denaturant or contaminants permitted in the ethanol
28 blended gasoline may be excluded as provided by rules adopted
29 by the department.

30 Sec. 8. Section 214A.2, subsection 3, Code 2005, is
31 amended by striking the subsection.

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

34 214A.2A KEROSENE LABELING.

35 1. Fuel which is sold or is kept, offered, or exposed for

1 sale as kerosene shall be labeled as kerosene. The label
2 shall include the word "kerosene" and a designation as either
3 "K1" or "K2", and shall indicate that the kerosene is in
4 compliance with the standard specification adopted by the
5 A.S.T.M. in international specification D-3699 (1982).

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

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

13 214A.3 FALSE-REPRESENTATIONS ADVERTISING.

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

16 1. Falsely advertise the quality or kind of any motor
17 vehicle fuel or oxygenate octane-enhancer-or-add which may be
18 added to motor fuel.

19 2. Falsely advertise that a motor fuel is a renewable
20 fuel. The dealer shall not advertise the sale of motor fuel
21 using the term "ethanol", "E-85", or use any derivative,
22 plural, or compound of any such word unless the motor vehicle
23 fuel meets the standards provided in section 214A.2.

24 3. Add a coloring matter thereto to motor fuel for the
25 purpose of misleading the public as to its quality.

26 SUBCHAPTER 2

27 PETROLEUM REPLACEMENT INITIATIVE

28 Sec. 11. NEW SECTION. 214A.31 RENEWABLE FUELS SOLD AND
29 DISPENSED DURING A DETERMINATION PERIOD.

30 For each determination period beginning January 1 and
31 ending December 31, the department of revenue shall obtain
32 information regarding the distribution of renewable fuels
33 dispensed from motor fuel pumps located at service stations in
34 this state, including information required to calculate all of
35 the following:

1 1. The aggregate distribution percentage for a motor fuel
2 retail business, which is the total number of gallons of
3 ethanol sold and dispensed as a formulation of ethanol blended
4 gasoline from motor fuel pumps located at all service stations
5 owned or controlled by the motor fuel retail business in this
6 state as expressed as a percentage of the total number of
7 gallons of gasoline sold and dispensed from all motor fuel
8 pumps located at all service stations owned or controlled by
9 the motor fuel retail business in this state, which percentage
10 is used in determining whether the motor fuel retail business
11 meets the threshold as provided in the petroleum replacement
12 schedule established pursuant to sections 214A.33 and 214A.34.

13 2. The total number of gallons of biodiesel sold and
14 dispensed as a formulation of biodiesel blended fuel from
15 motor fuel pumps located at all service stations owned or
16 controlled by a motor fuel retail business in this state,
17 which is used in determining whether the motor fuel retail
18 business meets the threshold as provided in the petroleum
19 replacement schedule established pursuant to sections 214A.33
20 and 214A.34.

21 Sec. 12. NEW SECTION. 214A.32 RENEWABLE FUELS SOLD AND
22 DISPENSED DURING A DETERMINATION PERIOD -- REPORT.

23 1. The department of agriculture and land stewardship, in
24 cooperation with the committee, and the department of revenue
25 shall jointly monitor the progress of each motor fuel retail
26 business in meeting the thresholds as provided in the
27 petroleum replacement schedule established pursuant to
28 sections 214A.33 and 214A.34.

29 2. On or before February 1 following a determination
30 period, the department of revenue shall send a report which
31 compiles the information obtained pursuant to section 214A.31
32 to the department of agriculture and land stewardship and the
33 fiscal services division of the legislative services agency.
34 The report shall state whether the aggregate distribution
35 percentage for each motor fuel retail business for the

1 determination period meets the threshold required as provided
2 in section 214A.33, and if the threshold is not met, the
3 amount of additional renewable fuel required to be sold and
4 dispensed from all motor fuel pumps located at all service
5 stations owned or controlled by each motor fuel retail
6 business in order to meet the threshold.

7 Sec. 13. NEW SECTION. 214A.33 PETROLEUM REPLACEMENT
8 SCHEDULE.

9 A petroleum replacement schedule is established based on
10 aggregate distribution percentages calculated by the
11 department of revenue for each determination period pursuant
12 to section 214A.31.

13 1. a. For a motor fuel retail business that sells and
14 dispenses more than five hundred thousand gallons of gasoline,
15 all of the following shall apply:

16 (1) For each determination period in the period beginning
17 January 1, 2008, and ending December 31, 2009, the threshold
18 for the aggregate distribution percentage must be ten percent.

19 (2) For each determination period in the period beginning
20 January 1, 2010, and ending December 31, 2011, the threshold
21 for the aggregate distribution percentage must be fifteen
22 percent.

23 (3) For each determination period in the period beginning
24 January 1, 2012, and ending December 31, 2014, the threshold
25 for the aggregate distribution percentage must be twenty
26 percent.

27 (4) For each determination period beginning on or after
28 January 1, 2015, the threshold for the aggregate distribution
29 percentage must be twenty-five percent.

30 b. If a business does not meet a threshold for a
31 determination period as provided in paragraph "a", each gallon
32 of biodiesel that is sold and dispensed as a formulation of
33 biodiesel blended fuel from motor fuel pumps located at all
34 service stations owned or controlled by the motor fuel retail
35 business shall be counted as a gallon of ethanol.

1 2. a. For a motor fuel retail business that sells and
2 dispenses five hundred thousand gallons of gasoline or less,
3 all of the following shall apply:

4 (1) For each determination period in the period beginning
5 January 1, 2010, and ending December 31, 2011, the threshold
6 for the aggregate distribution percentage must be ten percent.

7 (2) For each determination period in the period beginning
8 January 1, 2012, and ending December 31, 2013, the threshold
9 for the aggregate distribution percentage must be fifteen
10 percent.

11 (3) For each determination period in the period beginning
12 January 1, 2014, and ending December 31, 2016, the threshold
13 for the aggregate distribution percentage must be twenty
14 percent.

15 (4) For each determination period in the period beginning
16 on or after January 1, 2017, the threshold for the aggregate
17 distribution percentage must be twenty-five percent.

18 b. If a motor fuel retail business does not meet a
19 threshold for a determination period as provided in paragraph
20 "a", each gallon of biodiesel that is sold and dispensed as a
21 formulation of biodiesel blended fuel from motor fuel pumps
22 located at all service stations owned or controlled by the
23 motor fuel retail business shall be counted as a gallon of
24 ethanol.

25 Sec. 14. NEW SECTION. 214A.34 PETROLEUM REPLACEMENT
26 SCHEDULE -- ADJUSTMENT.

27 1. A threshold for an aggregate distribution percentage
28 for a determination period established in the petroleum
29 replacement schedule provided in section 214A.33 shall be
30 based on an assumption that a target number of flexible fuel
31 vehicles using E-85 gasoline are registered under chapter 321.

32 The target numbers of flexible fuel vehicles are as
33 follows:

34 a. On December 1 of 2010 and 2011, three hundred ninety-
35 five thousand.

1 b. On December 1 of 2012 through 2014, five hundred fifty
2 thousand.

3 c. On December 1 of 2015 and each year after that, eight
4 hundred twenty-five thousand.

5 2. The department of revenue shall adjust a threshold for
6 the aggregate distribution percentage for a determination
7 period if the department determines that less than the target
8 number of flexible fuel vehicles are registered pursuant to
9 chapter 321. The department shall calculate the total number
10 of gallons of ethanol that would be used if the target number
11 of flexible fuel vehicles were registered and adjust the
12 threshold for the aggregate distribution percentage
13 proportionally to account for the decrease in ethanol use.

14 Sec. 15. NEW SECTION. 214A.35 PUBLICATION OF THE
15 PETROLEUM REPLACEMENT SCHEDULE THRESHOLD.

16 The department shall state the total number of flexible
17 fuel vehicles registered on December 1 of each year, whether
18 the target number of flexible fuel vehicles have been
19 registered as provided in section 214A.34, and the threshold
20 for the aggregate distribution percentage for the following
21 determination period as provided in section 214A.33. If the
22 department of revenue is required to adjust a threshold for
23 the aggregate distribution percentage for a determination
24 period as provided in section 214A.34, the department shall
25 state the adjusted threshold. The statements shall be
26 delivered to the administrative code editor by December 10 for
27 publication in the next edition of the Iowa administrative
28 bulletin.

29 Sec. 16. NEW SECTION. 214A.36 FAILURE TO COMPLY WITH
30 PETROLEUM REPLACEMENT SCHEDULE -- PETROLEUM REPLACEMENT ORDER.

31 If at the end of a determination period a motor fuel retail
32 business has not met a threshold for the aggregate
33 distribution percentage for the determination period as
34 published in the Iowa administrative bulletin pursuant to
35 section 214A.35, the secretary shall issue an accelerated

1 petroleum replacement order after consulting with the
2 committee and the department of revenue.

3 1. a. The secretary shall deliver the order to each motor
4 fuel retail business that fails to meet the threshold.

5 b. The secretary shall compile a report listing each motor
6 fuel retail business that fails to meet the threshold. The
7 report shall be delivered to all of the following:

8 (1) The secretary of the senate and the chief clerk of the
9 house of representatives.

10 (2) The office of attorney general.

11 (3) The department of revenue.

12 (4) The fiscal services division of the legislative
13 services agency.

14 c. The accelerated petroleum replacement order shall take
15 effect as provided in the order but no later than thirty days
16 following the order's issuance.

17 d. The secretary may delay issuing the order or may
18 suspend the effectiveness of the order for up to twelve months
19 if the secretary determines that a shortage in the production
20 biomass feedstock will result in a dramatic decrease in
21 ethanol inventories.

22 2. If the secretary issues a petroleum replacement order,
23 all of the following shall apply:

24 a. The motor fuel retail business that fails to meet the
25 threshold shall be subject to a civil penalty of ten cents for
26 each gallon of ethanol required to meet the threshold. The
27 civil penalty shall be assessed by the department of
28 agriculture and land stewardship and deposited in the general
29 fund of the state. The civil penalties shall be deposited in
30 the general fund of the state.

31 b. The motor fuel retail business that fails to meet the
32 threshold, including each motor fuel retail business owned or
33 controlled by a retail dealer, shall not be eligible to claim
34 an ethanol blended gasoline tax credit as provided in sections
35 422.11C or 422.33 for any part of the tax year which is

1 subject to the petroleum replacement order.

2 c. (1) Except as provided in subparagraph (2), a retail
3 dealer that is owned or controlled by a motor fuel retail
4 business which fails to meet the threshold shall not advertise
5 for sale, sell, or dispense gasoline other than ethanol
6 blended gasoline in this state.

7 (2) A retail dealer may advertise for sale, sell, or
8 dispense gasoline, other than ethanol blended gasoline, in
9 this state if both of the following apply:

10 (a) The gasoline is used to operate one of the following
11 motor vehicles:

12 (i) An aircraft as defined in section 328.1.

13 (ii) A motor vehicle used exclusively for motor sports,
14 including on a raceway, if the motor vehicle cannot operate on
15 a highway as provided in chapter 321 or rules adopted by the
16 state department of transportation.

17 (iii) An antique vehicle registered under section 321.115.

18 (iv) A snowmobile as defined in section 321G.1.

19 (v) An all-terrain vehicle as defined in section 321G.1.

20 (vi) A watercraft as defined in section 462A.2.

21 (vii) A small motor such as a lawnmower motor.

22 (b) The retail dealer does not use more than one motor
23 fuel pump located at a service station to sell and dispense
24 the gasoline.

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

27 NEW SUBSECTION. 6. A taxpayer shall not be eligible to
28 claim the tax credit for any part of the tax year which is
29 subject to a petroleum replacement order that applies to the
30 retail dealer as provided in section 214A.36.

31 Sec. 18. Section 422.33, subsection 11, Code Supplement
32 2005, is amended by adding the following new paragraph:

33 NEW PARAGRAPH. e. A taxpayer shall not be eligible to
34 claim the tax credit for any part of the tax year which is
35 subject to a petroleum replacement order that applies to the

1 retail dealer as provided in section 214A.36.

2 Sec. 19. EFFECTIVE DATE. Section 214A.1A, as enacted in
3 this Act, being deemed of immediate importance, takes effect
4 upon enactment.

5 DIVISION II

6 RENEWABLE FUEL TAX CREDIT FOR RETAIL DEALERS

7 Sec. 20. 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", "retail dealer", and "service station" mean the
12 same as defined in section 214A.1.

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

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

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

18 Sec. 21. Section 422.11C, subsection 2, paragraph b, Code
19 2005, is amended to read as follows:

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

25 Sec. 22. Section 422.11C, subsection 3, Code 2005, is
26 amended to read as follows:

27 3. a. The tax credit shall be calculated separately for
28 each service station site operated by the taxpayer.

29 b. The amount of the tax credit for each eligible service
30 station is two and one-half cents multiplied by the total
31 number of gallons of ethanol blended gasoline sold and
32 dispensed through all metered motor fuel pumps located at that
33 service station during the tax year in excess of sixty percent
34 of all gasoline sold and dispensed through metered motor fuel
35 pumps at that service station during the tax year.

1 c. The tax credit is not allowed for a gallon of E-85
2 gasoline sold and distributed through a motor fuel pump
3 located at a service station if the taxpayer claims an E-85
4 gasoline tax credit for that same gallon of E-85 gasoline as
5 provided in section 422.11M in the same tax year.

6 Sec. 23. NEW SECTION. 422.11M E-85 GASOLINE TAX CREDIT.

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

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

11 b. "Motor fuel pump" means the same as defined in section
12 214.1.

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

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

16 2. The taxes imposed under this division, less the credits
17 allowed under sections 422.12 and 422.12B, shall be reduced by
18 the amount of the E-85 gasoline tax credit for each tax year
19 that the taxpayer is eligible to claim under this section.

20 a. In order to be eligible, all of the following must
21 apply:

22 (1) The taxpayer is a retail dealer who owns or operates
23 at least one service station at which E-85 gasoline is sold
24 and dispensed through a motor fuel pump in the tax year in
25 which the tax credit is claimed.

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

28 b. The tax credit shall be calculated for each service
29 station owned or operated by the taxpayer in the tax year in
30 which the tax credit is claimed. The amount of the tax credit
31 is calculated by multiplying a designated rate by the total
32 number of gallons of E-85 gasoline sold and dispensed through
33 all motor fuel pumps located at that service station during
34 the tax year. The designated rate is as follows:

35 (1) Ten cents per gallon of E-85 gasoline for each tax

1 year of the period beginning January 1, 2007, and ending
2 December 31, 2016.

3 (2) Five cents per gallon of E-85 gasoline for each tax
4 year beginning on or after January 1, 2017.

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

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

17 Sec. 24. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX
18 CREDIT.

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

21 a. "Biodiesel blended fuel", "diesel fuel", "retail
22 dealer", and "service station" mean the same as defined in
23 section 214A.1.

24 b. "Motor fuel pump" means the same as defined in section
25 214.1.

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

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

29 2. The taxes imposed under this division, less the credits
30 allowed under sections 422.12 and 422.12B, shall be reduced by
31 the amount of the biodiesel blended fuel tax credit for each
32 tax year that the taxpayer is eligible to claim under this
33 subsection.

34 a. In order to be eligible, all of the following must
35 apply:

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

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

7 b. The tax credit shall be calculated for each service
8 station owned or operated by the taxpayer in the tax year in
9 which the tax credit is claimed. The tax credit shall apply
10 to biodiesel blended fuel formulated with a minimum percentage
11 of two percent by volume of biodiesel, if the formulation
12 meets the standards provided in section 214A.2. The amount of
13 the tax credit is calculated by multiplying a designated rate
14 by the total number of gallons of biodiesel blended fuel sold
15 and dispensed through all motor fuel pumps located at that
16 service station during the tax year. The designated rate is
17 as follows:

18 (1) Three cents per gallon of biodiesel for all gallons of
19 biodiesel blended fuel which is fifty percent or more but less
20 than sixty percent of all diesel fuel sold and dispensed
21 through the motor fuel pumps at the service station.

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

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

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

35 4. An individual may claim the tax credit allowed a

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

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

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

14 Sec. 26. Section 422.33, subsection 11, paragraph b,
15 subparagraph (2), Code Supplement 2005, is amended to read as
16 follows:

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

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

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

25 (2) The amount of the tax credit for each eligible service
26 station is two and one-half cents multiplied by the total
27 number of gallons of ethanol blended gasoline sold and
28 dispensed through all metered motor fuel pumps located at that
29 service station during the tax year in excess of sixty percent
30 of all gasoline sold and dispensed through metered motor fuel
31 pumps at that service station during the tax year.

32 (3) The tax credit is not allowed for a gallon of E-85
33 gasoline sold and distributed through a motor fuel pump
34 located at a service station if the taxpayer claims an E-85
35 gasoline tax credit for that same gallon of E-85 gasoline as

1 provided in this section in the same tax year.

2 Sec. 28. Section 422.33, Code Supplement 2005, is amended
3 by adding the following new subsection:

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

8 a. The taxpayer may claim the E-85 gasoline tax credit
9 according to the same requirements, for the same amount, and
10 calculated in the same manner, as provided for the E-85
11 gasoline tax credit pursuant to section 422.11M.

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

17 Sec. 29. Section 422.33, Code Supplement 2005, is amended
18 by adding the following new subsection:

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

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

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

32 Sec. 30. APPLICABILITY DATE. Sections 422.11M and
33 422.11N, as enacted in this Act, and section 422.33,
34 subsections 11A and 11B, as enacted in this Act, apply to tax
35 years beginning on or after January 1, 2007.

1 DIVISION III

2 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

3 Sec. 31. Section 8A.362, subsection 3, Code 2005, is
4 amended to read as follows:

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

28 b. A motor vehicle operated under this subsection shall
29 not operate on gasoline other than ethanol blended gasoline
30 ~~blended-with-at-least-ten-percent-ethanol~~, unless under
31 emergency circumstances. A state-issued credit card used to
32 purchase gasoline shall not be valid to purchase gasoline
33 other than ethanol blended gasoline ~~blended-with-at-least-ten~~
34 ~~percent-ethanol~~ as defined in section 214A.1, if commercially
35 available. 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. 32. Section 216B.3, subsection 16, paragraph a, Code
7 2005, is amended to read as follows:

8 a. A motor vehicle purchased by the commission shall not
9 operate on gasoline other than ethanol blended gasoline
10 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
11 section 214A.1. A state issued credit card used to purchase
12 gasoline shall not be valid to purchase gasoline other than
13 ethanol blended gasoline ~~blended-with-at-least-ten-percent~~
14 ~~ethanol~~. The motor vehicle shall also be affixed with a
15 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. 33. 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. 34. Section 262.25A, subsection 2, Code 2005, is
33 amended to read as follows:

34 2. A motor vehicle purchased by the institutions shall not
35 operate on gasoline other than gasoline blended with at least

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

11 Sec. 35. Section 279.34, Code 2005, is amended to read as
12 follows:

13 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
14 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

15 A motor vehicle purchased by or used under the direction of
16 the board of directors to provide services to a school
17 corporation shall not, on or after January 1, 1993, operate on
18 gasoline other than ethanol blended gasoline ~~blended-with-at~~
19 ~~least-ten-percent-ethanol~~. The motor vehicle shall also be
20 affixed with a brightly visible sticker which notifies the
21 traveling public that the motor vehicle is being operated on
22 ethanol blended gasoline ~~blended-with-ethanol~~. However, the
23 sticker is not required to be affixed to an unmarked vehicle
24 used for purposes of providing law enforcement or security.

25 Sec. 36. Section 307.21, subsection 4, paragraph d, Code
26 2005, is amended to read as follows:

27 d. A motor vehicle purchased by the administrator shall
28 not operate on gasoline other than ethanol blended gasoline
29 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in
30 section 214A.1. A state-issued credit card used to purchase
31 gasoline shall not be valid to purchase gasoline other than
32 ethanol blended gasoline ~~blended-with-at-least-ten-percent~~
33 ~~ethanol~~. The motor vehicle shall also be affixed with a
34 brightly visible sticker which notifies the traveling public
35 that the motor vehicle is being operated on ethanol blended

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

4 Sec. 37. Section 331.908, Code 2005, is amended to read as
5 follows:

6 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
7 ~~BLEND~~ ETHANOL BLENDED GASOLINE.

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

18 Sec. 38. Section 364.20, Code 2005, is amended to read as
19 follows:

20 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
21 ~~BLEND~~ ETHANOL BLENDED GASOLINE.

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

32

DIVISION IV

33

COORDINATING PROVISIONS -- MISCELLANEOUS

34

35 Sec. 39. Section 15.401, Code Supplement 2005, is amended
to read as follows:

1 15.401 ~~E-85-BLENDED-GASOLINE~~ RENEWABLE FUELS.

2 1. As used in this section, unless the context otherwise
3 requires, "biodiesel", "biodiesel blended fuel", "E-85
4 gasoline", and "service station" mean the same as defined in
5 section 214A.1.

6 2. The department shall provide a cost-share program for
7 financial incentives for the installation or conversion of
8 infrastructure used by service stations to do all of the
9 following:

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

12 b. Install or convert infrastructure required to establish
13 on-site and off-site terminal facilities that store biodiesel
14 or biodiesel blended fuel for distribution to service
15 stations.

16 3. The department shall provide for an addition of at
17 least thirty new or converted E-85 gasoline retail outlets and
18 four new or converted on-site or off-site terminal facilities
19 with a maximum expenditure of three hundred twenty-five
20 thousand dollars per year for the fiscal period beginning July
21 1, 2005, and ending June 30, 2008. The department may provide
22 for the marketing of these products in conjunction with this
23 infrastructure program.

24 Sec. 40. Section 159A.2, Code 2005, is amended by adding
25 the following new subsections:

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

28 NEW SUBSECTION. 3A. "Department" means the department of
29 agriculture and land stewardship.

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

32 Sec. 41. Section 159A.2, subsection 6, Code 2005, is
33 amended by striking the subsection and inserting in lieu
34 thereof the following:

35 6. "Renewable fuel" means the same as defined in section

1 214A.1.

2 Sec. 42. Section 159A.2, subsection 8, Code 2005, is
3 amended by striking the subsection.

4 Sec. 43. Section 159A.3, subsection 3, Code 2005, is
5 amended to read as follows:

6 3. a. A chief purpose of the office is to further the
7 production and consumption of ethanol ~~fuel~~ blended gasoline in
8 this state. The office shall be the primary state agency
9 charged with the responsibility to promote public consumption
10 of ethanol ~~fuel~~ blended gasoline.

11 b. The office shall promote the production and consumption
12 of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this
13 state.

14 Sec. 44. Section 214A.19, subsection 1, unnumbered
15 paragraph 1, Code 2005, is amended to read as follows:

16 The department of natural resources, conditioned upon the
17 availability of funds, is authorized to award demonstration
18 grants to persons who purchase vehicles which operate on
19 alternative fuels, including but not limited to, ~~high-blend~~
20 ~~ethanol~~ E-85 gasoline, biodiesel, compressed natural gas,
21 electricity, solar energy, or hydrogen. A grant shall be for
22 the purpose of conducting research connected with the fuel or
23 the vehicle, and not for the purchase of the vehicle itself,
24 except that the money may be used for the purchase of the
25 vehicle if all of the following conditions are satisfied:

26 Sec. 45. Section 307.20, Code 2005, is amended to read as
27 follows:

28 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING
29 FUND.

30 1. A biodiesel and biodiesel blended fuel revolving fund
31 is created in the state treasury. The biodiesel and biodiesel
32 blended fuel revolving fund shall be administered by the
33 department and shall consist of moneys received from the sale
34 of EPAct credits banked by the department on April 19, 2001,
35 moneys appropriated by the general assembly, and any other

1 moneys obtained or accepted by the department for deposit in
2 the fund. Moneys in the fund are appropriated to and shall be
3 used by the department for the purchase of biodiesel and
4 biodiesel blended fuel for use in department vehicles. The
5 department shall submit an annual report not later than
6 January 31 to the members of the general assembly and the
7 legislative services agency, of the expenditures made from the
8 fund during the preceding fiscal year. Section 8.33 does not
9 apply to any moneys in the fund and, notwithstanding section
10 12C.7, subsection 2, earnings or interest on moneys deposited
11 in the fund shall be credited to the fund.

12 2. A ~~department~~ departmental motor vehicle operating ~~on~~
13 using biodiesel or biodiesel blended fuel shall be affixed
14 with a brightly visible sticker that notifies the traveling
15 public that the motor vehicle uses biodiesel blended fuel.

16 3. For purposes of this section the following definitions
17 apply:

18 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"
19 ~~means-soydiesel-fuel~~ mean the same as defined in section
20 ~~159A-2~~ 214A.1.

21 b. "EPAAct credit" means a credit issued pursuant to the
22 federal Energy Policy Act (EPAAct), 42 U.S.C. § 13201 et seq.
23 Sec. 46. Section 452A.2, subsection 2, Code Supplement
24 2005, is amended by striking the subsection and inserting in
25 lieu thereof the following:

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

28 Sec. 47. Section 452A.2, subsection 3, Code Supplement
29 2005, is amended to read as follows:

30 3. "Blender" means a person who owns and blends ~~alcohol~~
31 ethanol with gasoline to produce ethanol blended gasoline and
32 blends the product at a nonterminal location. The ~~blender~~
33 person is not restricted to blending ~~alcohol~~ ethanol with
34 gasoline. Products blended with gasoline other than ~~grain~~
35 ~~alcohol~~ ethanol are taxed as gasoline. "Blender" also means a

1 person blending two or more special fuel products at a
2 nonterminal location where the tax has not been paid on all of
3 the products blended. This blend is taxed as a special fuel.

4 Sec. 48. Section 452A.2, Code Supplement 2005, is amended
5 by adding the following new subsection:

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

8 Sec. 49. Section 452A.2, subsection 11, Code Supplement
9 2005, is amended to read as follows:

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

13 Sec. 50. Section 452A.2, subsection 19, unnumbered
14 paragraph 1, Code Supplement 2005, is amended to read as
15 follows:

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

18 Sec. 51. Section 452A.2, subsection 21, Code Supplement
19 2005, is amended to read as follows:

20 21. "Nonterminal storage facility" means a facility where
21 motor fuel or special fuel, other than liquefied petroleum
22 gas, is stored that is not supplied by a pipeline or a marine
23 vessel. "Nonterminal storage facility" includes a facility
24 that manufactures products such as ~~alcohol~~ ethanol as defined
25 in section 214A.1, biofuel, blend stocks, or additives which
26 may be used as motor fuel or special fuel, other than
27 liquefied petroleum gas, for operating motor vehicles or
28 aircraft.

29 Sec. 52. Section 452A.3, subsection 1B, Code Supplement
30 2005, is amended to read as follows:

31 1B. An excise tax of seventeen cents is imposed on each
32 gallon of E-85 gasoline, ~~which contains at least eighty-five~~
33 ~~percent denatured alcohol by volume from the first day of~~
34 ~~April until the last day of October or seventy percent~~
35 ~~denatured alcohol from the first day of November until the~~

1 ~~last-day-of-March, used for the privilege of operating motor~~
2 ~~vehicles in this state~~ as defined in section 214A.1, subject
3 to the determination provided in subsection 1C.

4 Sec. 53. Section 452A.6, Code 2005, is amended to read as
5 follows:

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

8 1. a. A person other than a supplier, restrictive
9 supplier, or importer licensed under this division, who blends
10 gasoline with ~~alcohol distilled from cereal grains so that the~~
11 ~~blend contains at least ten percent alcohol distilled from~~
12 cereal grains ethanol as defined in section 214A.1 in order to
13 formulate ethanol blended gasoline, shall obtain a blender's
14 license.

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

18 2. The A blender's license shall be obtained by following
19 the procedure under section 452A.4 and the blender's license
20 is subject to the same restrictions as contained in that
21 section.

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

26 DIVISION V

27 CHANGE OF TERMS

28 Sec. 54. CHANGE OF TERMS.

29 1. Sections 8A.362, 101.21, 159A.4, 214.1, 214.11, 214A.1,
30 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10,
31 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.40, 321.56,
32 423.14, 452A.63, 452A.66, and 452A.78, Code 2005, are amended
33 by striking from the provisions the words "motor vehicle fuel"
34 and inserting the following: "motor fuel".

35 2. Sections 214.1, 214.3, 214.9, 214.11, and 214A.16, Code

1 2005, are amended by striking the words "motor vehicle fuel
2 pump" or "motor vehicle fuel pumps" and inserting the
3 following: "motor fuel pump" or "motor fuel pumps".

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

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

11

EXPLANATION

12 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

13 This division amends Code chapter 214A, which provides
14 authority to the department of agriculture and land
15 stewardship to regulate the sale of motor fuel.

16 The division amends Code section 214A.1 by providing a
17 number of definitions for "biodiesel", "biodiesel blended
18 fuel", "ethanol", "ethanol blended gasoline", and "E-85
19 gasoline". It also amends Code section 214A.2, which provides
20 for different types of gasoline and establishes standards or
21 specifications for gasoline. The division amends the section
22 to require that ethanol blended gasoline contain a blend of at
23 least 10 percent ethanol. It designates gasoline with a
24 minimum seasonal blend of between 75 and 85 percent or more
25 ethanol as E-85 blended gasoline.

26 The division provides programs to ensure motor fuel
27 quality. The division requires the department to adopt a
28 schedule of departmental improvements required for each fiscal
29 year necessary to assure that motor fuel meets all applicable
30 standards as provided in Code section 214A.2. For each fiscal
31 year, the moneys appropriated to each state agency to support
32 the production or use of ethanol, ethanol blended gasoline,
33 biodiesel, or biodiesel blended fuel, the department of
34 management must transfer a prorated share of the state
35 agency's appropriation as is necessary to satisfy the amount

1 required to comply with the schedule of improvements for that
2 fiscal year as certified by the secretary of agriculture
3 subject to approval by the department of management.

4 The division also provides that a biodiesel producer who
5 produces biodiesel fuel for use as a motor fuel or as a
6 component of a motor fuel shall not sell biodiesel or
7 biodiesel blended fuel in this state, and a dealer shall not
8 purchase biodiesel or biodiesel blended fuel from a biodiesel
9 producer, unless the biodiesel producer is certified by the
10 department or by a fuel testing facility as selected by the
11 department.

12 The division imposes a number of requirements of businesses
13 which own or control service stations operated by retail
14 dealers. The requirements are administered and enforced by
15 the department of revenue and the department of agriculture
16 and land stewardship working in consultation with the
17 renewable fuels and coproducts advisory committee.

18 The division requires that businesses must sell a certain
19 percentage of ethanol within a determination period (beginning
20 January 1 and ending December 31). The percentage is referred
21 to as a threshold. The division provides a number of
22 thresholds which increase periodically according to a
23 schedule. The thresholds are delayed for two years for small
24 businesses (selling 500,000 gallons or less of gasoline). A
25 threshold is based on an assumption that there is a target
26 number of state registered flexible fuel vehicles using E-85
27 gasoline. The department of revenue may adjust a threshold if
28 a target is not met and publish the adjusted threshold in the
29 Iowa administrative bulletin.

30 If at the end of a determination period, a business has not
31 met a threshold, the secretary of agriculture must issue an
32 accelerated petroleum replacement order, unless the secretary
33 finds a delay or suspension is warranted based on decreased
34 ethanol inventories. A business which fails to meet a
35 threshold is subject to a civil penalty of 10 cents for each

1 one gallon of ethanol required to meet the threshold.

2 A dealer who is owned or controlled by such business not
3 meeting the threshold is not eligible to claim an ethanol
4 blended tax credit. In addition, the retail dealer is
5 prohibited from selling gasoline other than ethanol blended
6 gasoline, with a number of exceptions. The prohibition does
7 not apply to gasoline used to operate aircraft, motor vehicles
8 involved exclusively in motor sports events, or motor vehicles
9 operating using diesel fuel. The requirement also does not
10 apply to selling gasoline for use in certain vehicles such as
11 antique vehicles, snowmobiles, all-terrain vehicles,
12 watercraft, and small motors.

13 DIVISION II -- RENEWABLE FUEL TAX CREDIT FOR RETAIL
14 DEALERS. This division amends tax credit provisions in Code
15 chapter 422 to provide that a retail dealer who sells E-85
16 gasoline is eligible to receive a tax credit. The tax credit
17 applies to taxpayers filing as individuals or businesses. The
18 amount of the tax credit is a designated rate multiplied by
19 the total number of gallons of E-85 gasoline sold and
20 dispensed through all motor fuel pumps operated at each of the
21 taxpayer's service stations during the tax year. The rate
22 begins at 10 cents for the first 10 years and is adjusted to 5
23 cents after that.

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

32 The provisions which provide a tax credit to retail dealers
33 selling E-85 gasoline and biodiesel blended fuel apply to tax
34 years beginning on or after January 1, 2007.

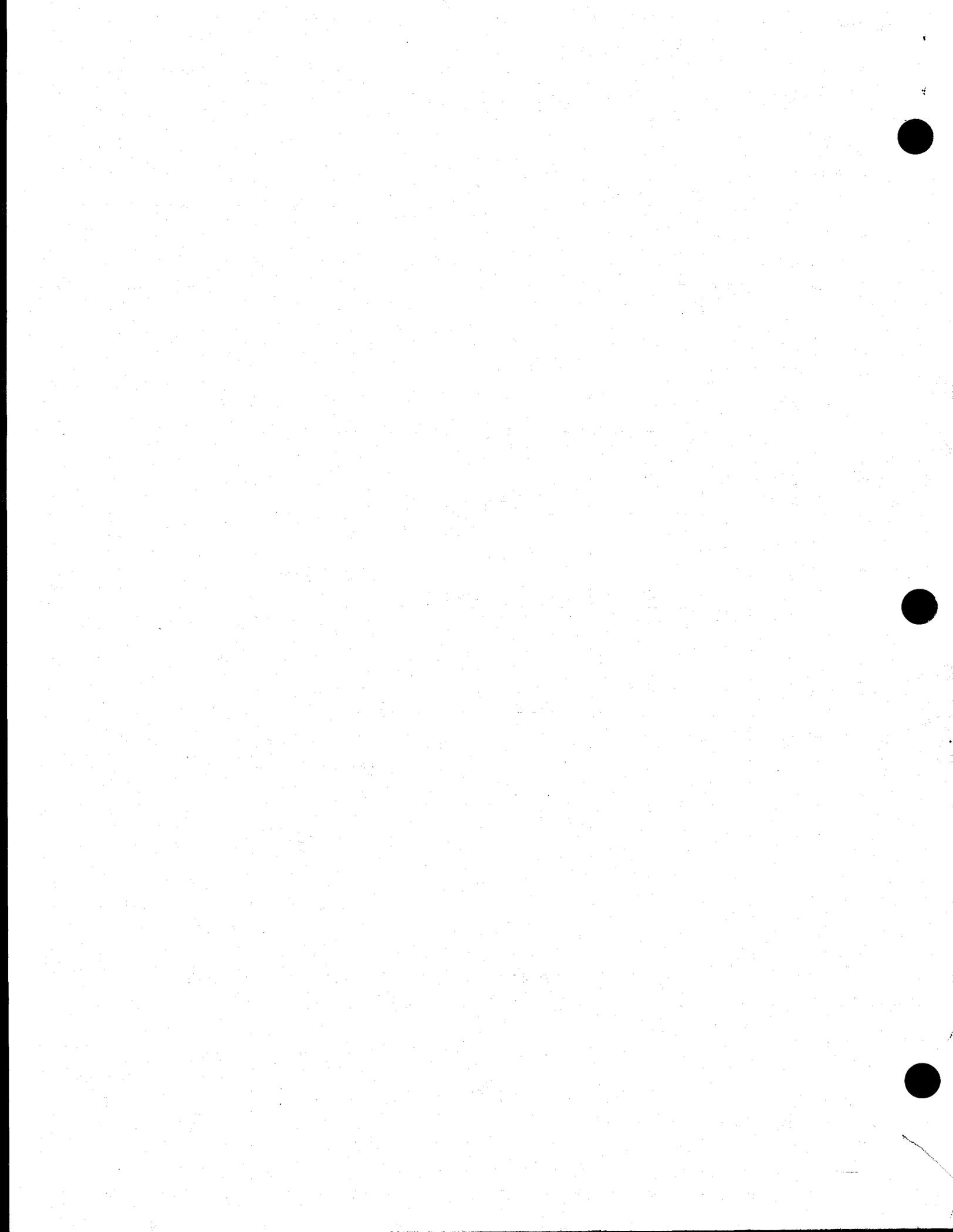
35 DIVISION III -- COORDINATING PROVISIONS -- GOVERNMENT

1 VEHICLES. This division amends the provisions that require
2 state and local government vehicles to operate using ethanol
3 blended gasoline. It also amends similar provisions which
4 require state agencies to purchase flexible fuel vehicles.
5 The division standardizes the language and refers to common
6 definitions as created in the division amending Code section
7 214A.1 and related standards created in the division amending
8 Code section 214A.2.

9 DIVISION IV -- COORDINATING PROVISIONS -- MISCELLANEOUS. A
10 number of provisions in the Code refer to alcohol or ethanol
11 blended gasoline, including E-85 gasoline, and soydiesel or
12 biofuel. This division standardizes the language and refers
13 to common definitions as created in the division amending Code
14 section 214A.1 and related standards created in the division
15 amending Code section 214A.2.

16 DIVISION V -- CHANGE IN TERMS. This division amends a
17 number of provisions by changing the term "oxygenate octane
18 enhancer" to "oxygenate", "motor vehicle fuel" to "motor
19 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for
20 purposes of consistency in chapters throughout the Code, but
21 in particular in Code chapters 214A and 452A.

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Black Co-chair
Houser Co-chair
Schoenjahn
Putney
Hancock
Gaskill

Succeeded By
(SF) / HF 2184

SSB#3054

Natural Resources

SENATE FILE _____

BY (PROPOSED COMMITTEE ON
NATURAL RESOURCES AND
ENVIRONMENT BILL BY
CO-CHAIRPERSONS BLACK
AND HOUSER)

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

A BILL FOR

1 An Act relating to renewable fuel, including ethanol blended fuel
2 and biodiesel blended fuel, providing for tax credits, and
3 providing penalties.

4 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. 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 combustible liquid comprised of mono-alkyl esters of long chain fatty acids which is all of the following:

a. A renewable fuel that 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.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means a formulation of diesel fuel which is a liquid petroleum product blended with biodiesel.

NEW SUBSECTION. 1C. "Business association" means the same as defined in section 202B.102.

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 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.

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

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

4 NEW SUBSECTION. 1I. "Ethanol blended gasoline" means a
5 formulation of gasoline which is a liquid petroleum product
6 blended with ethanol, if the formulation meets the standards
7 provided in section 214A.2.

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

13 NEW SUBSECTION. 1K. "Motor fuel pump" means the same as
14 defined in section 214.1.

15 NEW SUBSECTION. 1L. "Motor fuel retail business" or
16 "business" means a person who is a retail dealer or who
17 exercises control over the management decisions of a retail
18 dealer, including any business association, which owns or
19 controls one or more service stations.

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 ethanol blended gasoline, biodiesel, or biodiesel blended fuel
27 meeting the standards of section 214A.2.

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

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

33 2. "Motor vehicle 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. 3. 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 who operates a place of
12 business where motor fuel is stored and dispensed from a motor
13 fuel pump for sale on a retail basis, including a service
14 station or mobile location.

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. 4. 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 gasoline or renewable fuel such as ethanol blended
26 gasoline and its components such as an oxygenate or other
27 additive. In the interest of uniformity, the secretary
28 department shall adopt by reference or otherwise
29 specifications relating to tests and standards for motor fuel
30 or oxygenate-octane enhancers including renewable fuel,
31 established by the United States environmental protection
32 agency or A.S.T.M. (American society for testing and
33 materials) international, unless the secretary department
34 determines that those specifications are inconsistent with
35 this chapter or are not appropriate to the conditions which

1 exist in this state. The department shall consult with the
2 committee when establishing the standards.

3 Sec. 5. 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 fuels and fuel additives
8 established by the United States environmental protection
9 agency including as provided under 42 U.S.C. § 7545.

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

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

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

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

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

26 (3) In calculating the percentage of ethanol required for
27 the formulation of ethanol blended gasoline fuel, a percentage
28 of a denaturant or contaminants permitted in the ethanol
29 blended gasoline may be excluded as provided by rules adopted
30 by the department.

31 Sec. 6. Section 214A.2, subsection 3, Code 2005, is
32 amended by striking the subsection.

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

35 214A.2A KEROSENE LABELING.

1 the following:

2 1. The aggregate distribution percentage for a motor fuel
 3 retail business, which is the total number of gallons of
 4 ethanol sold and dispensed as a formulation of ethanol blended
 5 gasoline from motor fuel pumps located at all service stations
 6 owned or controlled by the motor fuel retail business in this
 7 state as expressed as a percentage of the total number of
 8 gallons of gasoline sold and dispensed from all motor fuel
 9 pumps located at all service stations owned or controlled by
 10 the motor fuel retail business in this state, which percentage
 11 is used in determining whether the motor fuel retail business
 12 meets the threshold as provided in the petroleum replacement
 13 schedule established pursuant to sections 214A.33 and 214A.34.

14 2. The total number of gallons of biodiesel sold and
 15 dispensed as a formulation of biodiesel blended fuel from
 16 motor fuel pumps located at all service stations owned or
 17 controlled by a motor fuel retail business in this state,
 18 which is used in determining whether the motor fuel retail
 19 business meets the threshold as provided in the petroleum
 20 replacement schedule established pursuant to sections 214A.33
 21 and 214A.34.

22 Sec. 10. NEW SECTION. 214A.32 RENEWABLE FUELS SOLD AND
 23 DISPENSED DURING A DETERMINATION PERIOD -- REPORT.

24 1. The department of agriculture and land stewardship, in
 25 cooperation with the committee, and the department of revenue
 26 shall jointly monitor the progress of each motor fuel retail
 27 business in meeting the thresholds as provided in the
 28 petroleum replacement schedule established pursuant to
 29 sections 214A.33 and 214A.34.

30 2. On or before February 1 following a determination
 31 period, the department of revenue shall send a report which
 32 compiles the information obtained pursuant to section 214A.31
 33 to the department of agriculture and land stewardship and the
 34 fiscal services division of the legislative services agency.
 35 The report shall state whether the aggregate distribution

1 percentage for each motor fuel retail business for the
2 determination period meets the threshold required as provided
3 in section 214A.33, and if the threshold is not met, the
4 amount of additional renewable fuel required to be sold and
5 dispensed from all motor fuel pumps located at all service
6 stations owned or controlled by each motor fuel retail
7 business in order to meet the threshold.

8 Sec. 11. NEW SECTION. 214A.33 PETROLEUM REPLACEMENT
9 SCHEDULE.

10 A petroleum replacement schedule is established based on
11 aggregate distribution percentages calculated by the
12 department of revenue for each determination period pursuant
13 to section 214A.31.

14 1. a. For a motor fuel retail business that sells and
15 dispenses more than five hundred thousand gallons of gasoline,
16 all of the following shall apply:

17 (1) For each determination period in the period beginning
18 January 1, 2008, and ending December 31, 2009, the threshold
19 for the aggregate distribution percentage must be ten percent.

20 (2) For each determination period in the period beginning
21 January 1, 2010, and ending December 31, 2011, the threshold
22 for the aggregate distribution percentage must be fifteen
23 percent.

24 (3) For each determination period in the period beginning
25 January 1, 2012, and ending December 31, 2014, the threshold
26 for the aggregate distribution percentage must be twenty
27 percent.

28 (4) For each determination period beginning on or after
29 January 1, 2015, the threshold for the aggregate distribution
30 percentage must be twenty-five percent.

31 b. If a business does not meet a threshold for a
32 determination period as provided in paragraph "a", each gallon
33 of biodiesel that is sold and dispensed as a formulation of
34 biodiesel blended fuel from motor fuel pumps located at all
35 service stations owned or controlled by the motor fuel retail

1 business shall be counted as a gallon of ethanol.

2 2. a. For a motor fuel retail business that sells and
3 dispenses five hundred thousand gallons of gasoline or less,
4 all of the following shall apply:

5 (1) For each determination period in the period beginning
6 January 1, 2010, and ending December 31, 2011, the threshold
7 for the aggregate distribution percentage must be ten percent.

8 (2) For each determination period in the period beginning
9 January 1, 2012, and ending December 31, 2013, the threshold
10 for the aggregate distribution percentage must be fifteen
11 percent.

12 (3) For each determination period in the period beginning
13 January 1, 2014, and ending December 31, 2016, the threshold
14 for the aggregate distribution percentage must be twenty
15 percent.

16 (4) For each determination period in the period beginning
17 on or after January 1, 2017, the threshold for the aggregate
18 distribution percentage must be twenty-five percent.

19 b. If a motor fuel retail business does not meet a
20 threshold for a determination period as provided in paragraph
21 "a", each gallon of biodiesel that is sold and dispensed as a
22 formulation of biodiesel blended fuel from motor fuel pumps
23 located at all service stations owned or controlled by the
24 motor fuel retail business shall be counted as a gallon of
25 ethanol.

26 Sec. 12. NEW SECTION. 214A.34 PETROLEUM REPLACEMENT
27 SCHEDULE -- ADJUSTMENT.

28 1. A threshold for an aggregate distribution percentage
29 for a determination period established in the petroleum
30 replacement schedule provided in section 214A.33 shall be
31 based on an assumption that a target number of flexible fuel
32 vehicles using E-85 gasoline are registered under chapter 321.

33 The target numbers of flexible fuel vehicles are as
34 follows:

35 a. On December 1 of 2010 and 2011, three hundred ninety-

1 five thousand.

2 b. On December 1 of 2012 through 2014, five hundred fifty
3 thousand.

4 c. On December 1 of 2015 and each year after that, eight
5 hundred twenty-five thousand.

6 2. The department of revenue shall adjust a threshold for
7 the aggregate distribution percentage for a determination
8 period if the department determines that less than the target
9 number of flexible fuel vehicles are registered pursuant to
10 chapter 321. The department shall calculate the total number
11 of gallons of ethanol that would be used if the target number
12 of flexible fuel vehicles were registered and adjust the
13 threshold for the aggregate distribution percentage
14 proportionally to account for the decrease in ethanol use.

15 Sec. 13. NEW SECTION. 214A.35 PUBLICATION OF THE
16 PETROLEUM REPLACEMENT SCHEDULE THRESHOLD.

17 The department shall state the total number of flexible
18 fuel vehicles registered on December 1 of each year, whether
19 the target number of flexible fuel vehicles have been
20 registered as provided in section 214A.34, and the threshold
21 for the aggregate distribution percentage for the following
22 determination period as provided in section 214A.33. If the
23 department of revenue is required to adjust a threshold for
24 the aggregate distribution percentage for a determination
25 period as provided in section 214A.34, the department shall
26 state the adjusted threshold. The statements shall be
27 delivered to the administrative code editor by December 10 for
28 publication in the next edition of the Iowa administrative
29 bulletin.

30 Sec. 14. NEW SECTION. 214A.36 FAILURE TO COMPLY WITH
31 PETROLEUM REPLACEMENT SCHEDULE -- PETROLEUM REPLACEMENT ORDER.

32 If at the end of a determination period a motor fuel retail
33 business has not met a threshold for the aggregate
34 distribution percentage for the determination period as
35 published in the Iowa administrative bulletin pursuant to

1 section 214A.35, the secretary shall issue an accelerated
2 petroleum replacement order after consulting with the
3 committee and the department of revenue.

4 1. a. The secretary shall deliver the order to each motor
5 fuel retail business that fails to meet the threshold.

6 b. The secretary shall compile a report listing each motor
7 fuel retail business that fails to meet the threshold. The
8 report shall be delivered to all of the following:

9 (1) The secretary of the senate and the chief clerk of the
10 house of representatives.

11 (2) The office of attorney general.

12 (3) The department of revenue.

13 (4) The fiscal services division of the legislative
14 services agency.

15 c. The accelerated petroleum replacement order shall take
16 effect as provided in the order but no later than thirty days
17 following the order's issuance.

18 d. The secretary may delay issuing the order or may
19 suspend the effectiveness of the order for up to twelve months
20 if the secretary determines that a shortage in the production
21 biomass feedstock will result in a dramatic decrease in
22 ethanol inventories.

23 2. If the secretary issues a petroleum replacement order,
24 all of the following shall apply:

25 a. The motor fuel retail business that fails to meet the
26 threshold shall be subject to a civil penalty of ten cents for
27 each gallon of ethanol required to meet the threshold. The
28 civil penalty shall be assessed by the department of
29 agriculture and land stewardship and deposited in the general
30 fund of the state. The civil penalties shall be deposited in
31 the general fund of the state.

32 b. The motor fuel retail business that fails to meet the
33 threshold, including each motor fuel retail business owned or
34 controlled by a retail dealer, shall not be eligible to claim
35 an ethanol blended gasoline tax credit as provided in sections

1 422.11C or 422.33 for any part of the tax year which is
2 subject to the petroleum replacement order.

3 c. (1) Except as provided in subparagraph (2), a retail
4 dealer that is owned or controlled by a motor fuel retail
5 business which fails to meet the threshold shall not advertise
6 for sale, sell, or dispense gasoline other than ethanol
7 blended gasoline in this state.

8 (2) A retail dealer may advertise for sale, sell, or
9 dispense gasoline, other than ethanol blended gasoline, in
10 this state if both of the following apply:

11 (a) The gasoline is used to operate one of the following
12 motor vehicles:

13 (i) An aircraft as defined in section 328.1.

14 (ii) A motor vehicle used exclusively for motor sports,
15 including on a raceway, if the motor vehicle cannot operate on
16 a highway as provided in chapter 321 or rules adopted by the
17 state department of transportation.

18 (iii) An antique vehicle registered under section 321.115.

19 (iv) A snowmobile as defined in section 321G.1.

20 (v) An all-terrain vehicle as defined in section 321G.1.

21 (vi) A watercraft as defined in section 462A.2.

22 (vii) A small motor such as a lawnmower motor.

23 (b) The retail dealer does not use more than one motor
24 fuel pump located at a service station to sell and dispense
25 the gasoline.

26 Sec. 15. Section 422.11C, Code 2005, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 6. A taxpayer shall not be eligible to
29 claim the tax credit for any part of the tax year which is
30 subject to a petroleum replacement order that applies to the
31 retail dealer as provided in section 214A.36.

32 Sec. 16. Section 422.33, subsection 11, Code Supplement
33 2005, is amended by adding the following new paragraph:

34 NEW PARAGRAPH. e. A taxpayer shall not be eligible to
35 claim the tax credit for any part of the tax year which is

1 subject to a petroleum replacement order that applies to the
2 retail dealer as provided in section 214A.36.

3 Sec. 17. Section 452A.3, subsection 1B, Code Supplement
4 2005, is amended to read as follows:

5 1B. An excise tax of seventeen cents is imposed on each
6 gallon of E-85 gasoline, ~~which contains at least eighty-five~~
7 ~~percent denatured alcohol by volume from the first day of~~
8 ~~April until the last day of October or seventy percent~~
9 ~~denatured alcohol from the first day of November until the~~
10 ~~last day of March, used for the privilege of operating motor~~
11 ~~vehicles in this state as defined in section 214A.1.~~

12 DIVISION II

13 RENEWABLE FUEL TAX CREDIT FOR RETAIL DEALERS

14 Sec. 18. Section 422.11C, subsection 1, paragraphs a
15 through g, Code 2005, are amended by striking the paragraphs
16 and inserting in lieu thereof the following:

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

20 b. "Motor fuel pump" means the same as defined in section
21 214.1.

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

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

25 Sec. 19. Section 422.11C, subsection 2, paragraph b, Code
26 2005, is amended to read as follows:

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

32 Sec. 20. Section 422.11C, subsection 3, Code 2005, is
33 amended to read as follows:

34 3. a. The tax credit shall be calculated separately for
35 each service station site operated by the taxpayer.

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

8 c. The tax credit is not allowed for a gallon of E-85
9 gasoline sold and distributed through a motor fuel pump
10 located at a service station if the taxpayer claims an E-85
11 gasoline tax credit for that same gallon of E-85 gasoline as
12 provided in section 422.11M in the same tax year.

13 Sec. 21. NEW SECTION. 422.11M E-85 GASOLINE TAX CREDIT.

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

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

18 b. "Motor fuel pump" means the same as defined in section
19 214.1.

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

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

23 2. The taxes imposed under this division, less the credits
24 allowed under sections 422.12 and 422.12B, shall be reduced by
25 the amount of the E-85 gasoline tax credit for each tax year
26 that the taxpayer is eligible to claim under this section.

27 a. In order to be eligible, all of the following must
28 apply:

29 (1) The taxpayer is a retail dealer who owns or operates
30 at least one service station at which E-85 gasoline is sold
31 and dispensed through a motor fuel pump in the tax year in
32 which the tax credit is claimed.

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

35 b. The tax credit shall be calculated for each service

1 station owned or operated by the taxpayer in the tax year in
2 which the tax credit is claimed. The amount of the tax credit
3 is calculated by multiplying a designated rate by the total
4 number of gallons of E-85 gasoline sold and dispensed through
5 all motor fuel pumps located at that service station during
6 the tax year. The designated rate is as follows:

7 (1) Ten cents per gallon of E-85 gasoline for each tax
8 year of the period beginning January 1, 2007, and ending
9 December 31, 2016.

10 (2) Five cents per gallon of E-85 gasoline for each tax
11 year beginning on or after January 1, 2017.

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

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

24 Sec. 22. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX
25 CREDIT.

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

28 a. "Biodiesel blended fuel", "diesel fuel", "retail
29 dealer", and "service station" mean the same as defined in
30 section 214A.1.

31 b. "Motor fuel pump" means the same as defined in section
32 214.1.

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

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

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

6 a. In order to be eligible, all of the following must
7 apply:

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

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

14 b. The tax credit shall be calculated for each service
15 station owned or operated by the taxpayer in the tax year in
16 which the tax credit is claimed. The tax credit shall apply
17 to biodiesel blended fuel formulated with a minimum percentage
18 of two percent by volume of biodiesel, if the formulation
19 meets the standards provided in section 214A.2. The amount of
20 the tax credit is calculated by multiplying a designated rate
21 by the total number of gallons of biodiesel blended fuel sold
22 and dispensed through all motor fuel pumps located at that
23 service station during the tax year. The designated rate is
24 as follows:

25 (1) Three cents per gallon of biodiesel for all gallons of
26 biodiesel blended fuel which is fifty percent or more but less
27 than sixty percent of all diesel fuel sold and dispensed
28 through the motor fuel pumps at the service station.

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

33 (3) Five cents per gallon of biodiesel for all gallons of
34 biodiesel blended fuel which is seventy percent or more of all
35 diesel fuel sold and dispensed through the motor fuel pumps at

1 the service station.

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

7 4. 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 Sec. 23. Section 422.33, subsection 11, paragraph a,
15 subparagraph (1), Code Supplement 2005, is amended to read as
16 follows:

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

21 Sec. 24. Section 422.33, subsection 11, paragraph b,
22 subparagraph (2), Code Supplement 2005, is amended to read as
23 follows:

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

28 Sec. 25. Section 422.33, subsection 11, paragraph c, Code
29 Supplement 2005, is amended to read as follows:

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

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

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

4 (3) The tax credit is not allowed for a gallon of E-85
5 gasoline sold and distributed through a motor fuel pump
6 located at a service station if the taxpayer claims an E-85
7 gasoline tax credit for that same gallon of E-85 gasoline as
8 provided in this section in the same tax year.

9 Sec. 26. Section 422.33, Code Supplement 2005, is amended
10 by adding the following new subsection.

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

15 a. The taxpayer may claim the E-85 gasoline tax credit
16 according to the same requirements, for the same amount, and
17 calculated in the same manner, as provided for the E-85
18 gasoline tax credit pursuant to section 422.11M.

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

24 Sec. 27. Section 422.33, Code Supplement 2005, is amended
25 by adding the following new subsection.

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

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

34 b. Any biodiesel blended fuel tax credit which is in
35 excess of the taxpayer's tax liability shall be refunded or

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

4 Sec. 28. APPLICABILITY DATE. Sections 422.11M and
5 422.11N, as enacted in this Act, and section 422.33,
6 subsections 11A and 11B, as enacted in this Act, apply to tax
7 years beginning on or after January 1, 2007.

8 DIVISION III

9 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

10 Sec. 29. Section 8A.362, subsection 3, Code 2005, is
11 amended to read as follows:

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

35 b. A motor vehicle operated under this subsection shall

1 not operate on gasoline other than ethanol blended gasoline
2 ~~blended-with-at-least-ten-percent-ethanol~~, unless under
3 emergency circumstances. A state-issued credit card used to
4 purchase gasoline shall not be valid to purchase gasoline
5 other than ethanol blended gasoline ~~blended-with-at-least-ten~~
6 ~~percent-ethanol~~ as defined in section 214A.1, if commercially
7 available. 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. 30. Section 216B.3, subsection 16, paragraph a, Code
14 2005, is amended to read as follows:

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

27 Sec. 31. 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. 32. Section 262.25A, subsection 2, Code 2005, is
5 amended to read as follows:

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

18 Sec. 33. Section 279.34, Code 2005, is amended to read as
19 follows:

20 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
21 ~~BLEND~~ED ETHANOL BLENDED GASOLINE.

22 A motor vehicle purchased by or used under the direction of
23 the board of directors to provide services to a school
24 corporation shall not, on or after January 1, 1993, operate on
25 gasoline other than ethanol blended gasoline ~~blended-with-at~~
26 ~~least-ten-percent-ethanol~~. 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. 34. Section 307.21, subsection 4, paragraph d, Code
33 2005, is amended to read as follows:

34 d. A motor vehicle purchased by the administrator shall
35 not operate on gasoline other than ethanol blended gasoline

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

11 Sec. 35. Section 331.908, Code 2005, is amended to read as
12 follows:

13 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
14 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

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

25 Sec. 36. Section 364.20, Code 2005, is amended to read as
26 follows:

27 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
28 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

29 A motor vehicle purchased or used by a city to provide city
30 services shall not, ~~on or after January 1, 1993,~~ operate on
31 gasoline other than ethanol blended gasoline ~~blended-with-at~~
32 ~~least-ten-percent-ethanol~~ as defined in section 214A.1. The
33 motor vehicle shall also be affixed with a brightly visible
34 sticker which notifies the traveling public that the motor
35 vehicle is being operated on ethanol blended gasoline ~~blended~~

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

4 Sec. 37. Section 452A.2, subsection 11, Code Supplement
5 2005, is amended to read as follows:

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

9 Sec. 38. Section 452A.6, Code 2005, is amended to read as
10 follows:

11 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS --
12 BLENDER'S LICENSE.

13 1. a. A person other than a supplier, restrictive
14 supplier, or importer licensed under this division, who blends
15 gasoline with ~~alcohol-distilled-from-cereal-grains-so-that-the~~
16 ~~blend-contains-at-least-ten-percent-alcohol-distilled-from~~
17 cereal-grains ethanol as defined in section 214A.1 in order to
18 formulate ethanol blended gasoline, shall obtain a blender's
19 license.

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

23 2. The A blender's license shall be obtained by following
24 the procedure under section 452A.4 and the blender's license
25 is subject to the same restrictions as contained in that
26 section.

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

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

33 1. A motor vehicle purchased by the department shall not
34 operate on gasoline other than ethanol blended gasoline
35 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in

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

10 DIVISION IV

11 COORDINATING PROVISIONS -- MISCELLANEOUS

12 Sec. 40. Section 15.401, Code Supplement 2005, is amended
13 to read as follows:

14 15.401 E-85-BLENDED-GASOLINE RENEWABLE FUELS.

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

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

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

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

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

1 infrastructure program.

2 Sec. 41. Section 159A.2, Code 2005, is amended by adding
3 the following new subsections:

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

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

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

10 Sec. 42. Section 159A.2, subsection 6, Code 2005, is
11 amended by striking the subsection and inserting in lieu
12 thereof the following:

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

15 Sec. 43. Section 159A.2, subsection 8, Code 2005, is
16 amended by striking the subsection.

17 Sec. 44. Section 159A.3, subsection 3, Code 2005, is
18 amended to read as follows:

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

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

27 Sec. 45. Section 214A.19, subsection 1, unnumbered
28 paragraph 1, Code 2005, is amended to read as follows:

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

1 the vehicle, and not for the purchase of the vehicle itself,
2 except that the money may be used for the purchase of the
3 vehicle if all of the following conditions are satisfied:

4 Sec. 46. Section 307.20, Code 2005, is amended to read as
5 follows:

6 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING
7 FUND.

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

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

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

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

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

1 Sec. 47. 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. "Biodiesel" and "biodiesel blended fuel" mean the same
5 as defined in section 214A.1.

6 Sec. 48. Section 452A.2, subsection 3, Code Supplement
7 2005, is amended to read as follows:

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

17 Sec. 49. Section 452A.2, Code Supplement 2005, is amended
18 by adding the following new subsection:

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

21 Sec. 50. Section 452A.2, subsection 11, Code Supplement
22 2005, is amended to read as follows:

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

26 Sec. 51. Section 452A.2, subsection 19, unnumbered
27 paragraph 1, Code Supplement 2005, is amended to read as
28 follows:

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

31 Sec. 52. Section 452A.2, subsection 21, Code Supplement
32 2005, is amended to read as follows:

33 21. "Nonterminal storage facility" means a facility where
34 motor fuel or special fuel, other than liquefied petroleum
35 gas, is stored that is not supplied by a pipeline or a marine

1 vessel. "Nonterminal storage facility" includes a facility
2 that manufactures products such as ~~alcohol~~ ethanol as defined
3 in section 214A.1, biofuel, blend stocks, or additives which
4 may be used as motor fuel or special fuel, other than
5 liquefied petroleum gas, for operating motor vehicles or
6 aircraft.

7 Sec. 53. Section 452A.3, subsection 1B, Code Supplement
8 2005, is amended to read as follows:

9 1B. An excise tax of seventeen cents is imposed on each
10 gallon of E-85 gasoline, ~~which contains at least eighty-five~~
11 ~~percent denatured alcohol by volume from the first day of~~
12 ~~April until the last day of October or seventy percent~~
13 ~~denatured alcohol from the first day of November until the~~
14 ~~last day of March, used for the privilege of operating motor~~
15 ~~vehicles in this state as defined in section 214A.1, subject~~
16 to the determination provided in subsection 1C.

17 Sec. 54. Section 452A.6, Code 2005, is amended to read as
18 follows:

19 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS --
20 BLENDER'S LICENSE.

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

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

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

35 3. A blender required to obtain a license pursuant to this

1 section shall maintain records as required by section 452A.10
2 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline,
3 and special fuels.

4 DIVISION V

5 CHANGE OF TERMS

6 Sec. 55. CHANGE OF TERMS.

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

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

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

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

24 EXPLANATION

25 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

26 This division amends Code chapter 214A, which provides
27 authority to the department of agriculture and land
28 stewardship to regulate the sale of motor fuel.

29 The division amends Code section 214A.1 by providing a
30 number of definitions for "biodiesel", "biodiesel blended
31 fuel", "ethanol", "ethanol blended gasoline", and "E-85
32 gasoline". It also amends Code section 214A.2, which provides
33 for different types of gasoline and establishes standards or
34 specifications for gasoline. The division amends the section
35 to require that ethanol blended gasoline contain a blend of at

1 least 10 percent ethanol. It designates gasoline with a
2 minimum seasonal blend of between 75 and 85 percent or more
3 ethanol as E-85 blended gasoline.

4 The division imposes a number of requirements of businesses
5 which own or control service stations operated by retail
6 dealers. The requirements are administered and enforced by
7 the department of revenue and the department of agriculture
8 and land stewardship working in consultation with the
9 renewable fuels and coproducts advisory committee.

10 The division requires that businesses must sell a certain
11 percentage of ethanol within a determination period (beginning
12 January 1 and ending December 31). The percentage is referred
13 to as a threshold. The division provides a number of
14 thresholds which increase periodically according to a
15 schedule. The thresholds are delayed for two years for small
16 businesses (selling 500,000 gallons or less of gasoline). A
17 threshold is based on an assumption that there is a target
18 number of state registered flexible fuel vehicles using E-85
19 gasoline. The department of revenue may adjust a threshold if
20 a target is not met and publish the adjusted threshold in the
21 Iowa administrative bulletin.

22 If at the end of a determination period, a business has not
23 met a threshold, the secretary of agriculture must issue an
24 accelerated petroleum replacement order, unless the secretary
25 finds a delay or suspension is warranted based on decreased
26 ethanol inventories. A business which fails to meet a
27 threshold is subject to a civil penalty of 10 cents for each
28 one gallon of ethanol required to meet the threshold.

29 A dealer who is owned or controlled by such business not
30 meeting the threshold is not eligible to claim an ethanol
31 blended tax credit. In addition, the retail dealer is
32 prohibited from selling gasoline other than ethanol blended
33 gasoline, with a number of exceptions. The prohibition does
34 not apply to gasoline used to operate aircraft, motor vehicles
35 involved exclusively in motor sports events, or motor vehicles

1 operating using diesel fuel. The requirement also does not
2 apply to selling gasoline for use in certain vehicles such as
3 antique vehicles, snowmobiles, all-terrain vehicles,
4 watercraft, and small motors.

5 DIVISION II -- RENEWABLE FUEL TAX CREDIT FOR RETAIL
6 DEALERS. This division amends tax credit provisions in Code
7 chapter 422 to provide that a retail dealer who sells E-85
8 gasoline is eligible to receive a tax credit. The tax credit
9 applies to taxpayers filing as individuals or businesses. The
10 amount of the tax credit is a designated rate multiplied by
11 the total number of gallons of E-85 gasoline sold and
12 dispensed through all motor fuel pumps operated at each of the
13 taxpayer's service stations during the tax year. The rate
14 begins at 10 cents for the first 10 years and is adjusted to 5
15 cents after that.

16 The division also provides that a retail dealer who sells
17 biodiesel blended fuel is also eligible to receive a tax
18 credit with similar requirements that apply to a retail dealer
19 who sells ethanol blended gasoline. In this case, the amount
20 is based on each gallon of biodiesel sold and dispensed by the
21 retail dealer and ranges from 3 to 5 cents depending upon the
22 percentage of biodiesel blended fuel sold when compared to the
23 total amount of diesel fuel sold.

24 The provisions which provide a tax credit to retail dealers
25 selling E-85 gasoline and biodiesel blended fuel apply to tax
26 years beginning on or after January 1, 2007.

27 DIVISION III -- COORDINATING PROVISIONS -- GOVERNMENT
28 VEHICLES. This division amends the provisions that require
29 state and local government vehicles to operate using ethanol
30 blended gasoline. It also amends similar provisions which
31 require state agencies to purchase flexible fuel vehicles.
32 The division standardizes the language and refers to common
33 definitions as created in the division amending Code section
34 214A.1 and related standards created in the division amending
35 Code section 214A.2.

1 DIVISION IV -- COORDINATING PROVISIONS -- MISCELLANEOUS. A
2 number of provisions in the Code refer to alcohol or ethanol
3 blended gasoline, including E-85 gasoline, and soydiesel or
4 biofuel. This division standardizes the language and refers
5 to common definitions as created in the division amending Code
6 section 214A.1 and related standards created in the division
7 amending Code section 214A.2.

8 DIVISION V -- CHANGE IN TERMS. This division amends a
9 number of provisions by changing the term "oxygenate octane
10 enhancer" to "oxygenate", "motor vehicle fuel" to "motor
11 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for
12 purposes of consistency in chapters throughout the Code, but
13 in particular in Code chapters 214A and 452A.

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