
FISCAL TOPICS

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tax Credit: E-85 Gasoline Promotion Tax Credit

The E-85 Gasoline Promotion Tax Credit is available to retail dealers of gasoline that sell blended gasoline that is classified as E-85 gasoline (defined as 70.0% to 85.0% ethanol content). The tax credit amount has varied over the years, with the credit equal to the following amounts by qualified gallon sold in the listed calendar year (CY):

- CY 2006 through CY 2008: \$0.25
- CY 2009 and CY 2010: \$0.20
- CY 2011: \$0.10
- CY 2012 through CY 2027: \$0.16

Beginning in CY 2026, the retail dealer is no longer allowed to claim the E-85 Gasoline Promotion Tax Credit on the same gallons used to calculate the dealer's Ethanol Promotion Tax Credit.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code Citations:
 - [Section 422.110](#) — Individual Income Tax
 - [Section 422.33](#)(11B) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2028
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the next tax year.
- Tax Review Committee Review Year: 2019

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report-category/contingent-liabilities

Department of Revenue Tax Credit Review:

tax.iowa.gov/biofuel-retailers-tax-credits-program-evaluation-study

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/reports/tax-credits-users-manual

Department of Revenue Retailers Fuel Gallons Annual Report:

tax.iowa.gov/retailers-motor-fuel-gallons-annual-report-2022

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

LSA Staff Contact: Eric M. Richardson (515.281.6767) eric.richardson@legis.iowa.gov

Legislative History

As originally enacted in 2006, the tax credit equaled \$0.25 per blended gallon for CY 2006 through CY 2008, and then was to be phased down over the next 12 calendar years and equal \$0.01 per blended gallon for CY 2020. There was no tax credit for blended gallons beyond CY 2020. A sunset date of January 1, 2021, was established in the original legislation.

In 2011, legislation was enacted that removed the tax credit phase down and set the tax credit rate at \$0.16 per blended gallon, beginning with CY 2012. The sunset date was also moved up three years to January 1, 2018. In 2016, the sunset date was moved back seven years to January 1, 2025.

In 2022, the sunset date was moved back three years to January 1, 2028, and the retail dealer was prohibited from claiming both the E-15 and E-85 promotion tax credit for the same gallons beginning in CY 2026.

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue review of the E-85 Gasoline Promotion Tax Credit released December 2019 and the CY 2022 Retailers Motor Fuel Gallons Annual Report:

- For CY 2022:
 - Iowa retailers reported the sale of 19.6 million gallons of ethanol blended gasoline qualifying as E-85, an amount equal to 1.5% of all retail gasoline gallons sold. At the \$0.16 per gallon tax credit rate for CY 2020 sales, the 19.6 million E-85 gallons earned retailers a total of \$3.1 million in tax credits.
 - The amount of pure ethanol calculated as a component of blended E-85 gasoline was 15.5 million gallons, an amount equal to 1.2% of the total volume of gasoline fuel sold by the reporting retailers.
 - Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 15.5 million gallons of pure ethanol sold in Iowa as a component of E-85 blended gasoline represents the utilization of 5.5 million bushels of corn (0.2% of the 2021 Iowa corn crop).
- For tax year (TY) 2006 through TY 2019:
 - A total of \$24.6 million in E-85 Gasoline Promotion Tax Credits was claimed by taxpayers, with 31.4% claimed by corporate taxpayers and 68.6% by individual taxpayers (includes business income passed through to the individual income tax return).
 - The average number of tax credit claimants in a year was 106.
 - Over the 14 tax years, \$20.7 million (84.1%) in tax credit claims was claimed by the top 20 claimants in terms of dollars claimed for each of the 14 years.

The Department of Revenue reports on the annual credit usage for the E-85 Gasoline Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the October 2023 report, the following figures provide credit redemption history and projections for the E-85 Gasoline Promotion Tax Credit on a fiscal year basis. The blue bars of **Figure 2** indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Figure 1 — E-85 Gasoline Promotion Tax Credit History

* Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 477,209	FY 2019	\$ 2,630,968
FY 2009	1,018,679	FY 2020	2,745,764
FY 2010	1,396,559	FY 2021	2,720,757
FY 2011	1,289,687	FY 2022	2,318,353
FY 2012	1,944,411	FY 2023	3,140,327
FY 2013	685,817	FY 2024*	3,124,018
FY 2014	1,531,700	FY 2025*	3,189,624
FY 2015	1,739,603	FY 2026*	3,259,664
FY 2016	1,956,227	FY 2027*	3,335,682
FY 2017	2,060,483	FY 2028*	3,422,880
FY 2018	2,552,412		

Figure 2 — E-85 Gasoline Promotion Tax Credit Redemptions

* Projected

