
FISCAL TOPICS

Fiscal Services Division

November 20, 2023



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Tax Credit: Ethanol Promotion Tax Credit

The Ethanol Promotion Tax Credit was sunset on January 1, 2021. The credit was available to retail dealers of gasoline that sold gasoline blended with ethanol. The tax credit was based on the gallons of pure ethanol sold by the retailer as components of gasoline blended with ethanol. The credit, equal to 4.0 cents to 8.0 cents per pure ethanol gallon, was available to retailers meeting a defined schedule of biofuel threshold percentages (pure ethanol gallons divided by total gasoline gallons sold). In determining if a retailer met a particular biofuel threshold percentage, any pure gallons of biodiesel sold by the retailer were counted as pure ethanol gallons.

The tax credit had two defined schedules of biofuel threshold percentages: one schedule for retailers selling 200,000 or fewer gallons of gasoline in a year, and one schedule for retailers selling more than that amount. The biofuel threshold percentage schedules, along with the per-gallon tax credit amounts, are listed in **Figure 1**.

The retail dealer was allowed to claim the Ethanol Promotion Tax Credit on the same gallons used to calculate the dealer's E-85 Gasoline Promotion Tax Credit and E-15 Plus Gasoline Promotion Tax Credit. The Ethanol Promotion Tax Credit replaced the Ethanol Blended Gasoline Tax Credit beginning in calendar year (CY) 2009.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code citations:
 - Section [422.11N](#) — Individual Income Tax
 - Section [422.33](#)(11A) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2021
- 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/sites/default/files/2020-06/Iowa_Biofuel_Retailer_Tax_Credits_Evaluation_Study_2019.pdf

Department of Revenue Tax Credits Users' Manual:

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

Department of Revenue Retailers Motor 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

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Legislative History

As originally enacted in 2006, the tax credit amounts equaled 2.5 cents, 4.5 cents, and 6.5 cents per pure ethanol gallon, depending on the retailer's pure ethanol sales percentage. Legislation enacted in 2011 raised the credit amounts to 4.0 cents, 6.0 cents, and 8.0 cents and also allowed the credit applicant to apply for the credit on a companywide or individual retail location basis. A sunset date of January 1, 2026, was established in the 2006 enabling legislation. Subsequent 2006 [legislation](#) changed the sunset date to January 1, 2021.

The 2006 legislation also repealed the existing Ethanol Blended Gasoline Tax Credit effective January 1, 2009. That tax credit was equal to 2.5 cents per gallon for ethanol blended gallons sold at a retail location in excess of 60.0% of all gasoline gallons sold at that same location.

Figure 1 — Ethanol Promotion Tax Credit Schedules

Calendar Year	Retailers With More Than 200,000 Gasoline Gallons Sold in a Year			Retailers With 200,000 or Fewer Gasoline Gallons Sold in a Year		
	Biofuel Threshold Percentage			Biofuel Threshold Percentage		
CY 2009 *	6.0%	8.0%	10.0%	2.0%	4.0%	6.0%
CY 2010 *	7.0%	9.0%	11.0%	2.0%	4.0%	6.0%
CY 2011 *	8.0%	10.0%	12.0%	6.0%	8.0%	10.0%
CY 2012	9.0%	11.0%	13.0%	7.0%	9.0%	11.0%
CY 2013	10.0%	12.0%	14.0%	8.0%	10.0%	12.0%
CY 2014	11.0%	13.0%	15.0%	9.0%	11.0%	13.0%
CY 2015	13.0%	15.0%	17.0%	10.0%	12.0%	14.0%
CY 2016	15.0%	17.0%	19.0%	11.0%	13.0%	15.0%
CY 2017	17.0%	19.0%	21.0%	13.0%	15.0%	17.0%
CY 2018	19.0%	21.0%	23.0%	15.0%	17.0%	19.0%
CY 2019	21.0%	23.0%	25.0%	17.0%	19.0%	21.0%
CY 2020	21.0%	23.0%	25.0%	21.0%	23.0%	25.0%
Per Gallon Tax Credit	4.0 Cents	6.0 Cents	8.0 Cents	2.5 Cents	6.0 Cents	8.0 Cents

* The tax credit was equal to 2.5 cents, 4.5 cents, and 6.5 cents for CY 2009 and 2010, and 2.5 cents, 6.0 cents, and 8.0 cents for CY 2011.

Tax Credit Review, Usage, and Future Liability

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

For CY 2022, retailers responding to the Retailers Fuel Gallons Annual Report survey conducted by the Department of Revenue reported the sale of 1,114.0 million gallons of ethanol blended fuel. The breakdown by blended fuel category was:

- E-10 = 972.0 million gallons
- E-15 = 121.1 million gallons
- E-20 = 1.2 million gallons
- E-85 = 19.6 million gallons

The ethanol component of the 1,114.0 million blended gallons is calculated to be 131.1 million ethanol gallons. Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 131.1 million gallons of pure ethanol sold in Iowa as a component of blended gasoline represents the utilization of 46.8 million bushels of corn, an amount that equals 1.9% of the 2022 Iowa corn crop.

For tax year 2008 through tax year 2019:

- A total of \$23.1 million in Ethanol Promotion Tax Credits was claimed by taxpayers, with 45.2% claimed by corporate taxpayers and 54.8% 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 204.
- Over the 12 tax years, \$17.9 million in tax credit claims was claimed by the top 20 claimants in terms of dollars claimed for each of the 12 years.

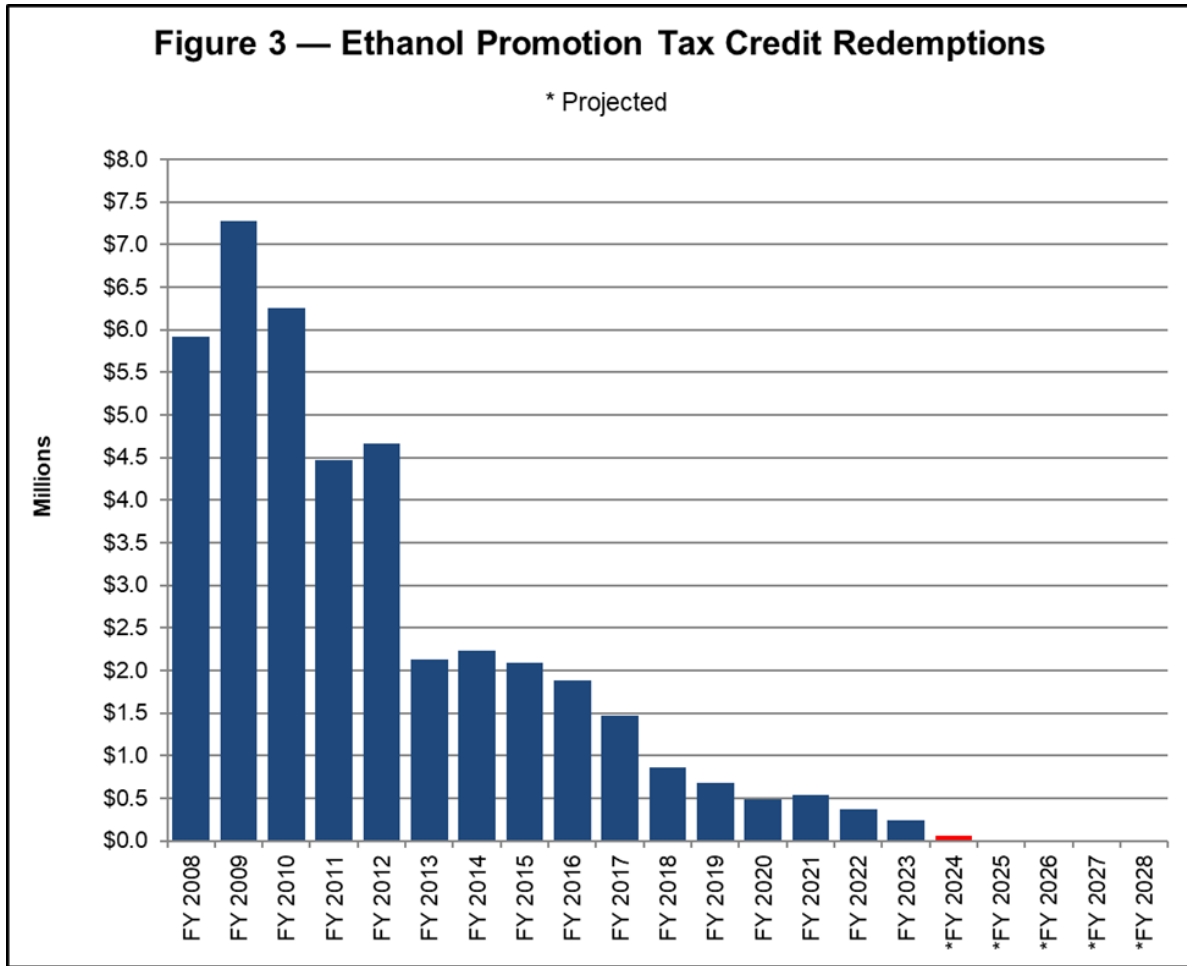
The Department of Revenue reports on the annual credit usage for the Ethanol Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the October 2023 report, **Figure 2** and **Figure 3** provide credit redemption history and projections for the Ethanol Promotion Tax Credit¹ on a fiscal year basis. The blue bars of **Figure 3** indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Figure 2 — Ethanol Promotion Tax Credit History

* Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 5,923,665	FY 2019	\$ 677,150
FY 2009	7,277,511	FY 2020	486,328
FY 2010	6,255,807	FY 2021	540,511
FY 2011	4,474,534	FY 2022	365,906
FY 2012	4,667,303	FY 2023	244,173
FY 2013	2,123,949	*FY 2024	53,978
FY 2014	2,235,001	*FY 2025	0
FY 2015	2,090,841	*FY 2026	0
FY 2016	1,879,612	*FY 2027	0
FY 2017	1,464,871	*FY 2028	0
FY 2018	860,171		

¹ The dollar amounts displayed in Figures 2 and 3 include not only the current Ethanol Promotion Tax Credit but also the previous version of the credit, called the Ethanol Blended Gasoline Tax Credit.



Doc ID 1387016