

Ways and Means 4/4

Senate File 409  
Ways and Means  
Gluba, Chairman  
Nolting  
Burroughs

FILED APR 3 1975

SENATE FILE 409

By REDMOND and KELLY

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

- 1 An Act relating to the taxation of motor fuel used in aircraft
- 2 and the use of unclaimed tax refunds.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
- 4

### SENATE FILE 409 FISCAL NOTE

Date Prepared: April 18, 1975  
Requested by: Senator Redmond  
Prepared in regard to Senate File 409, An Act relating to the taxation of motor fuel used in aircraft and the use of unclaimed tax refunds. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16.

It is estimated that an 8 cent per gallon tax on jet fuel would increase revenue by approximately \$1.7 million annually. Currently about \$460,000 is being collected from the tax on aviation gasoline. This revenue is refunded to the purchasers with any unclaimed monies being credited to the state aviation fund. Under Senate File 409, the \$460,000 and \$1.7 million would be returned to the governmental subdivisions which operate airports.

It should be noted that the 8 cent per gallon tax on jet fuel would make Iowa the state with the highest tax on jet fuel. This could have a significant effect on future sales.

SOURCE: Department of Revenue

FILED  
APRIL 21, 1975

GERRY D. RANKIN  
LEGISLATIVE FISCAL  
DIRECTOR

1 Section 1. Section three hundred twenty-four point two  
2 (324.2), subsection one (1), Code 1975, is amended to read  
3 as follows:

4 1. "Motor fuel" shall mean (a) all products commonly or  
5 commercially known or sold as gasoline (including casinghead  
6 and absorption or natural gasoline) regardless of their  
7 classifications or uses; and (b) any liquid advertised, offered  
8 for sale, sold for use as, or commonly or commercially used  
9 as a fuel for propelling motor vehicles, which when subjected  
10 to distillation of gasoline, naphtha, kerosene and similar  
11 petroleum products (American Society of Testing Materials  
12 Designation D-86), show not less than ten per centum distilled  
13 (recovered) below three hundred forty-seven degrees Fahrenheit  
14 (one hundred seventy-five degrees Centigrade) and not less  
15 than ninety-five per centum distilled (recovered) below four  
16 hundred sixty-four degrees Fahrenheit (two hundred forty  
17 degrees Centigrade); provided, that the term "motor fuel"  
18 shall not include special fuel as defined in section 324.33,  
19 subsection 1, and shall not include liquefied gases which  
20 would not exist as liquids at a temperature of sixty degrees  
21 Fahrenheit and a pressure of fourteen and seven-tenths pounds  
22 per square inch absolute, nor naphthas and solvents as  
23 hereinafter defined unless the liquefied gases or naphthas  
24 and solvents are used as a component in the manufacture,  
25 compounding, or blending of a liquid within (b) above, in  
26 which event the resulting product shall be deemed to be motor  
27 fuel; and (c) any liquid advertised, or commercially used  
28 as a fuel for propelling jet aircraft.

29 Sec. 2. Section three hundred twenty-four point sixteen  
30 (324.16), Code 1975, is amended to read as follows:

31 324.16 CREDIT TO LICENSEE--NONMOTOR VEHICLE OR WATERCRAFT  
32 USE-CASUALTY LOSSES--NONTAXABLE PRODUCTS--REFUNDS. A licensee  
33 having received motor fuel or special fuel which thereafter  
34 (1) he uses for any purpose other than as fuel for propelling  
35 motor vehicles, aircraft or watercraft or (2) while owned

1 by him is lost or destroyed through accountable leakage or  
2 through fire, accident, lightning, flood, storm, act of war  
3 or public enemy or other like cause, shall upon application  
4 to the department of revenue supported by two notarized  
5 affidavits covering circumstances of loss as proof, be entitled  
6 to a memorandum of credit which he may apply against subsequent  
7 liability under this chapter, or, if an applicant having paid  
8 the tax on the gallonage covered in the application is no  
9 longer engaged in activity for which his license was issued,  
10 the department of revenue shall refund the appropriate amount  
11 to the applicant.

12 Sec. 3. Section three hundred twenty-four point seventeen  
13 (324.17), unnumbered paragraph one (1), Code 1975, is amended  
14 to read as follows:

15 Any person other than a licensee who shall use motor fuel  
16 for the purpose of operating or propelling farm tractors,  
17 corn shellers, roller mills, truck-mounted feed grinders,  
18 stationary gas engines, aircraft, for cleaning or dyeing or  
19 for any purpose other than in watercraft, aircraft or in motor  
20 vehicles operated or intended to be operated upon the public  
21 highways and having paid the motor fuel tax on the fuel either  
22 directly to the department of revenue or by having the tax  
23 added to the price of the fuel, and who has a refund permit  
24 shall, upon presentation to and approval by the department  
25 of revenue of a claim for refund be reimbursed and repaid  
26 the amount of the tax which the claimant has paid on the  
27 gallonage so used. Every claim filed subsequent to July 4,  
28 1957, shall be subject to the following conditions:

29 Sec. 4. Section three hundred twenty-four point seventeen  
30 (324.17), subsections four (4), five (5), and six (6), Code  
31 1975, are amended to read as follows:

32 4. The claim shall state the gallonage of motor fuel that  
33 was used or will be used by the claimant other than in water-  
34 craft, aircraft or motor vehicles, the manner in which the  
35 motor fuel was used or will be used and the equipment in which

1 it was used or will be used.

2 5. The claim shall also state whether or not the claimant  
3 used fuel for watercraft, aircraft or motor vehicles from  
4 the same tanks or receptacles in which the claimant kept the  
5 motor fuel on which the refund is claimed.

6 6. No refund will be paid with respect to any motor fuel  
7 taken out of this state in fuel supply tanks of motor vehicles  
8 or aircraft.

9 Sec. 5. Section three hundred twenty-four point eighteen  
10 (324.18), Code 1975, is amended to read as follows:

11 324.18 REFUND PERMIT. No person may claim a refund under  
12 section 324.17 until he shall have obtained a refund permit  
13 from the department of revenue and paid the fee therefor.

14 ~~A special permit shall be obtained by applicants claiming~~  
15 ~~a refund under the provisions of this chapter on account of~~  
16 ~~motor fuel used for the purpose of operating aircraft.~~

17 Application for a refund permit shall be made to the department  
18 of revenue on a form provided by the department of revenue,  
19 shall be certified by the applicant under penalty for false  
20 certificate and shall contain among other things, the name,  
21 the address and occupation of the applicant, the nature of  
22 his business and a sufficient description for identification  
23 of the machines and equipment in which is to be used motor  
24 fuel for which refund may be claimed under the permit. Each  
25 permit shall bear a separate number and each claim for refund  
26 shall bear the number of the permit under which it is made.  
27 The department of revenue shall keep a permanent record of  
28 all permits issued and a cumulative record of all permits  
29 issued and a cumulative record of the amount of refund claimed  
30 and paid under each. A fee of one dollar shall be collected  
31 by the department of revenue from each person to whom a refund  
32 permit is issued. A refund permit shall continue in effect  
33 until revoked as hereinafter provided or until the claimant  
34 shall have moved from the county with which his refund permit  
35 is identified.

1       Sec. 6. Section three hundred twenty-four point eighty-  
2 two (324.82), Code 1975, is amended to read as follows:

3       324.82 AVIATION GAS TAX FUND. The portion of the moneys  
4 collected under the provisions of this chapter received on  
5 account of aviation gasoline ~~shall be deposited in a separate~~  
6 ~~fund to be maintained by the treasurer. All moneys reimbursed~~  
7 ~~and repaid pursuant to section 324.17 or transferred pursuant~~  
8 ~~to section 422.88 on account of motor fuel used for the purpose~~  
9 ~~of operating aircraft shall be paid from said separate fund~~  
10 ~~and all moneys remaining in said separate fund after all~~  
11 ~~claims for refund and the cost of administering said fund~~  
12 ~~have been paid shall be credited to the state aviation fund~~  
13 fuel shall be deposited in a separate fund to be maintained  
14 by the treasurer and shall be returned quarterly to the  
15 governmental subdivision or entity operating the airport at  
16 which collected, for use in construction, reconstruction,  
17 improvement, repair, maintenance, or operation of that airport  
18 or any other airport operated or to be operated by that  
19 subdivision or entity, or to pay the principal or interest  
20 on bonds issued to finance such activities.

21       Sec. 7. Section four hundred twenty-two point eighty-six  
22 (422.86), subsection one (1), Code 1975, is amended to read  
23 as follows:

24       1. Motor fuel as defined in section 324.2, subsection  
25 1, used for the purpose of operating or propelling farm  
26 tractors, corn shellers, roller mills, truck-mounted feed  
27 grinders, stationary engines, ~~aircraft~~, for cleaning or dyeing,  
28 or for any purpose other than in watercraft, aircraft or in  
29 motor vehicles operated or intended to be operated upon the  
30 public highways.

31       Sec. 8. Section four hundred twenty-two point eighty-seven  
32 (422.87), unnumbered paragraph one (1), Code 1975, is amended  
33 to read as follows:

34       The fuel tax credit may be applied against the income tax  
35 liability of the person or corporation as determined on the

1 tax return filed for the year in which the fuel tax was paid.  
2 ~~The fuel tax credit for tax paid on motor fuel used for the~~  
3 ~~purpose of operating aircraft must be itemized separately.~~  
4 The department shall provide forms for claiming the fuel tax  
5 credit. If the fuel tax credit would result in an overpayment  
6 of income tax, the person or corporation may apply for a  
7 refund of the amount of overpayment or may have the overpay-  
8 ment credited to income tax due in subsequent years. Each  
9 person or corporation that claims a fuel tax credit shall  
10 maintain the original invoices showing the purchase of the  
11 fuel on which a credit is claimed. No invoice is acceptable  
12 in support of a claim for credit unless it is a separate  
13 serially numbered invoice covering no more than one purchase  
14 of motor fuel or special fuel, prepared by the seller on a  
15 form approved by the department, nor unless it is legibly  
16 written with no corrections or erasures and shows the date  
17 of sale, the name and address of the seller and of the  
18 purchaser, the kind of fuel, the gallonage in figures, the  
19 per gallon price of the fuel, the total purchase price  
20 including the Iowa fuel tax, and that the total purchase  
21 price has been paid. However, as to refund invoices made  
22 on a billing machine the department may waive these  
23 requirements. If an original invoice is lost or destroyed,  
24 the department may approve a credit supported by a copy  
25 identified and certified by the seller as being a true copy  
26 of the original. Each person or corporation that claims a  
27 fuel tax credit shall maintain complete records of purchases  
28 of motor fuel or special fuel on which Iowa fuel tax was paid,  
29 and for which a fuel tax credit is claimed.

30 EXPLANATION

31 This bill places a tax on aviation gasoline and provides  
32 for a separate fund. The tax will be returned to the  
33 governmental agency where the tax was collected for airport  
34 improvements.

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