

2/19

FILED FEB 16 1976

FILED FEB 18 1976

SENATE FILE 1169

By LAMBORN

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

A BILL FOR

1 An Act relating to the levying of a state motor fuel tax,
2 the collection process required, and the distribution
3 of total road use tax funds among the jurisdictions of
4 the state and local units of government.

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

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 Section 1. Section three hundred twelve point one (312.1),
2 subsection two (2), Code 1975, is amended to read as follows:

3 2. All the net proceeds of the motor vehicle fuel tax
4 or license fees and the net proceeds of the special fuel tax
5 or license fees under chapter 324, ~~except those net proceeds~~
6 ~~allocated to the primary road fund under section 324.79.~~

7 Sec. 2. Section three hundred twelve point two (312.2),
8 Code 1975, as amended by Acts of the Sixty-sixth General
9 Assembly, 1975 Session, chapter thirty-five (35), section
10 fifteen (15), and chapter two hundred thirty-two (232), section
11 five (5), is amended by striking the section and inserting
12 in lieu thereof the following:

13 312.2 ALLOCATION OF FUND.

14 1. The treasurer of state shall, on the first day of each
15 month, commencing July 1, 1976, credit all road use tax funds
16 to the primary road fund, the secondary road fund of the
17 counties, the farm-to-market road fund, and the street
18 construction fund of the cities in the following manner:

19 a. To the primary road fund, forty-nine point three
20 percent.

21 b. To the secondary road fund of the counties, twenty-
22 seven point eight percent.

23 c. To the farm-to-market road fund, eight point six
24 percent.

25 d. To the street construction fund of the cities, fourteen
26 point three percent.

27 2. The treasurer of state shall, on the first day of each
28 month, commencing January 1, 1977, credit all road use tax
29 funds to the primary road fund, the secondary road fund of
30 the counties, the farm-to-market road fund, and the street
31 construction fund of the cities in the following manner:

32 a. To the primary road fund, forty-eight point six percent.

33 b. To the secondary road fund of the counties, twenty-
34 six point five percent.

35 c. To the farm-to-market road fund, nine percent.

1 d. To the street construction fund of the cities, fifteen
2 point nine percent.

3 3. The treasurer of state shall, on the first day of each
4 month, commencing January 1, 1978, and each succeeding calendar
5 year, credit all road use tax funds to the primary road fund,
6 the secondary road fund of the counties, the farm-to-market
7 road fund, and the street construction fund of the cities
8 in the following manner:

9 a. To the primary road fund, forty-eight percent.

10 b. To the secondary road fund of the counties, twenty-
11 five point five percent.

12 c. To the farm-to-market road fund, nine percent.

13 d. To the street construction fund of the cities, seventeen
14 point five percent.

15 4. Notwithstanding the allocations made in subsections
16 one (1) through five (5) of this section, if in any calendar
17 year the allocations cause one or more of the funds to be
18 allocated an amount in dollars which is less than it has
19 received for the previous calendar year, the treasurer of
20 state shall allocate an additional amount in dollars necessary
21 to provide an amount in dollars equal to the amount in dollars
22 allocated in the previous calendar year through adjustments
23 made in the December first allocations, by proportionate
24 reductions among the funds which have received an amount in
25 dollars which is greater than the amount in dollars received
26 during the previous calendar year.

27 5. The treasurer of state shall, before allocating the
28 moneys in the road use tax fund in the manner provided in
29 this section, credit:

30 a. To the highway grade crossing safety fund, annually,
31 five hundred thousand dollars. Unobligated funds in this
32 fund shall revert to the road use tax fund only to the extent
33 that they exceed five hundred thousand dollars at the end
34 of a biennium.

35 b. To the division of motor vehicle registration of the

1 department of public safety, monthly, funds sufficient in
2 amount to pay the costs of purchasing supplies and materials
3 and for the cost of prison labor used in manufacturing motor
4 vehicle registration plates, decalcomania emblems, and valida-
5 tion stickers at the prison industries.

6 c. To the park and institutional road fund, annually,
7 the sum of one million four hundred thousand dollars for
8 carrying out sections three hundred seven A point two (307A.2),
9 subsection twelve (12), three hundred thirteen point four
10 (313.4), and three hundred seven A point five (307A.5) of
11 the Code.

12 d. To the marine fuel tax fund, such amounts as are
13 required under section three hundred twenty-four point seventy-
14 nine (324.79) of the Code.

15 e. To the aviation gas tax fund, such amounts as are
16 required under section three hundred twenty-four point eighty-
17 two (324.82) of the Code.

18 Sec. 3. Section three hundred twelve point three (312.3),
19 Code 1975, is amended by striking subsection one (1) and
20 inserting in lieu thereof the following:

21 1. Apportion among the counties in the ratio that the
22 needs of the secondary roads of each county bear to the total
23 needs of the secondary roads of the state as shown in the
24 latest three-year update of the twenty-year highway needs
25 study report developed by the state department of
26 transportation, and which is on record at the department,
27 sixty percent of the allocation from road use tax funds which
28 he has credited to the secondary road fund of the counties,
29 and apportion among the counties in the ratio that the area
30 of such county bears to the total area of the state, forty
31 percent of the allocation from road use tax funds which he
32 has credited to the secondary road fund of the counties.
33 However, if in any calendar year the allocations of the need
34 allotment formula causes any county to be allocated an amount
35 which is less than the amount received by the county in the

1 previous calendar year, the county receiving a lesser amount
2 shall be allotted an additional amount necessary to provide
3 the county with an amount equal to the amount received in
4 the previous calendar year, by proportionate reductions in
5 the amounts to be allocated to those counties which will
6 receive an amount which exceeds the amount received by those
7 counties during the previous calendar year.

8 Sec. 4. Section three hundred twelve point three (312.3),
9 Code 1975, is amended by adding the following new subsection:

10 NEW SUBSECTION. Effective July 1, 1979, the allocation
11 of the street construction fund of the cities shall be
12 allocated to the cities in the following manner:

13 1. Population allotment of the street construction fund,
14 forty percent.

15 2. Need allotment of the street construction fund, sixty
16 percent.

17 The allocation of the population allotment to the cities
18 shall be computed in the manner provided in subsections two
19 (2) through five (5) of this section and each city shall
20 receive its allocation in the ratio that the population of
21 the city bears to the total population of all of the cities
22 in the state.

23 The need allotment of the street construction fund shall
24 be allotted among the cities in the ratio that the needs of
25 the street construction fund in each city bears to the needs
26 of the street construction funds of all cities.

27 The department shall work in conjunction with the cities
28 in developing a needs criteria system which shall be completed
29 for implementation not later than July 1, 1979. Thereafter,
30 the needs criteria shall be updated biennially and such update
31 shall be used for implementation.

32 However, if in any calendar year the allocations of the
33 need allotment formula causes any city to be allocated an
34 amount which is less than the amount received by the city
35 in the previous calendar year, the city receiving a lesser

1 amount shall be allotted an additional amount necessary to
2 provide the city with an amount equal to the amount received
3 in the previous calendar year, by proportionate reductions
4 in the amounts to be allocated to those cities which will
5 receive an amount which exceeds the amount received by those
6 cities during the previous calendar year.

7 Sec. 5. Section three hundred twelve point five (312.5),
8 Code 1975, is amended to read as follows:

9 312.5 DIVISION OF FARM-TO-MARKET ROAD FUNDS. The road
10 use tax funds credited to the farm-to-market road fund by
11 the treasurer of state are hereby divided as follows, and
12 are to be known respectively as:

13 1. Need allotment farm-to-market road funds, sixty percent;
14 and

15 2. Area allotment farm-to-market road funds, forty percent.

16 All farm-to-market road funds, except funds which under
17 section 310.20 come from any county's allotment of the road
18 use tax funds, shall be allotted among the counties by the
19 department. Area allotment farm-to-market road funds and
20 federal aid secondary road funds received by the state, shall
21 be allotted among all the counties of the state in the ratio
22 that the area of each county bears to the total area of the
23 whole state.

24 Need allotment farm-to-market road funds shall be allotted
25 among the counties in the ratio that the needs of the farm-
26 to-market roads in each county bear to the total needs of
27 the farm-to-market roads in the state ~~for the twenty-year~~
28 ~~program developed by the automotive safety foundation and~~
29 ~~filed with the Iowa highway study committee created by chapter~~
30 ~~4267-Aets of the Fifty-eighth General Assembly~~ as shown in
31 the latest biennial update of the twenty-year highway need
32 study report developed by the state department of
33 transportation, and which is on record at the department.
34 However, if in any calendar year the allocations of the need
35 allotment formula causes any county to be allocated an amount

1 which is less than the amount received by the county in the
2 previous calendar year, the county receiving a lesser amount
3 shall be allotted an additional amount necessary to provide
4 the county with an amount equal to the amount received in
5 the previous calendar year, by proportionate reductions in
6 the amounts to be allocated to those counties which will
7 receive an amount which exceeds the amount received by those
8 counties during the previous calendar year.

9 Sec. 6. Section three hundred twenty-four point three
10 (324.3), Code 1975, is amended by striking unnumbered paragraph
11 one (1) and inserting in lieu thereof the following:

12 For the privilege of operating motor vehicles in this state
13 an excise tax equal to twenty-five percent of the per gallon
14 statewide average retail price is hereby imposed upon the
15 use of all motor fuel used for any purpose except as otherwise
16 provided in this division. Whenever the amount of the tax
17 computed contains a fractional part of a percent, the rate
18 of tax shall be computed to the next lowest whole percent.
19 The resulting excise tax on motor fuel from this computation
20 shall never be less than eleven cents per gallon. The
21 statewide average retail price used for computing this excise
22 tax shall be established initially and updated semi-annually
23 by the department of revenue through a statewide sampling
24 of the per gallon selling prices of motor fuel, less the state
25 excise tax, charged by "dealers", "agents", and "consignees".
26 The tax shall be paid in the first instance by the
27 "distributor" upon the invoiced gallonage of all motor fuel
28 received by him in this state, within the meaning of the word
29 "received" as defined in this division, less the deductions
30 hereinafter authorized. Thereafter, except as otherwise
31 provided, the per gallon amount of such tax shall be added
32 to the selling price of each and every gallon of such motor
33 fuel sold in this state and collected from the purchaser to
34 the end that the ultimate consumer shall bear the burden of
35 such tax; provided, however, that no tax shall be imposed

1 or collected under this division with respect to the following:

2 Sec. 7. Section three hundred twenty-four point thirty-
3 four (324.34), Code 1975, is amended by striking unnumbered
4 paragraph one (1) and inserting in lieu thereof the following:

5 For the privilege of operating motor vehicles in this
6 state, there is hereby levied and imposed an excise tax on
7 the use (as defined herein) of special fuel in any motor
8 vehicle. The rate of tax on special (diesel engine) fuel
9 shall be equal to thirty percent of the per gallon state-
10 wide average retail price of special fuel. Whenever the
11 amount of the tax computed contains a fractional part of a
12 percent, the rate of tax shall be computed to the next lowest
13 whole percent. The resulting excise tax on diesel special
14 fuel from this computation shall never be less than twelve
15 cents per gallon. The statewide average retail price used
16 for computing this excise tax shall be established initially
17 and updated semi-annually by the department of revenue through
18 a statewide sampling of the per gallon selling price of diesel
19 special fuel, less the state excise tax, charged by "special
20 fuel dealers". On all other special fuel the per gallon rate
21 shall be the same as the motor fuel tax. The tax, with respect
22 to all special fuel delivered by a special fuel dealer for
23 use in this state is defined by section three hundred twenty-
24 four point thirty-three (324.33) of the Code, shall attach
25 at the time of the delivery and shall be collected by the
26 dealer from the special fuel user and shall be paid over to
27 the department of revenue as hereinafter provided. The tax,
28 with respect to special fuel acquired by a special fuel user
29 in any manner other than by delivery by a special fuel dealer
30 into a fuel supply tank of a motor vehicle, shall attach at
31 the time of the use (as herein defined) of the fuel and shall
32 be paid over to the department of revenue by the user as
33 hereinafter provided.

34 Sec. 8. Section three hundred twenty-four point seventy-
35 nine (324.79), Code 1975, is amended by striking unnumbered

1 paragraphs one (1) and two (2).

2

EXPLANATION

3 This bill increases the tax on motor fuel to 25% per gallon
4 of the statewide average retail price. The tax on special
5 fuel is increased to 30% per gallon statewide average retail
6 price. The bill also provides for the redistribution of the
7 moneys in the road use tax fund.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

SENATE FILE 1169
FISCAL NOTE

Date prepared: March 25, 1976

Requested by: Senator Lamborn

Prepared in regard to Senate File 1169 Senate File 1169, An Act relating to the levying of a state motor fuel tax, the collection process required, and distribution of total road use tax funds among the jurisdiction of the state and local units of government.

Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16.

Senate File 1169 would establish the tax on motor fuel at 25 percent of the statewide average retail price with a minimum tax of 11 cents per gallon. The tax on special fuel would be established at 30 percent of the statewide average retail price, with a minimum tax of 12 cents per gallon.

The bill provides that the department shall semi-annually compute the average retail price of motor fuel and special fuel after conducting a statewide survey of the retail prices per gallon of motor fuel and special fuel. Since the necessary data is not currently available to determine statewide average retail prices, this estimate has been limited to determining the effect of this proposal using the minimum tax rates provided.

Based on the number of gallons subject to tax during fiscal 1975, the estimated effect of increasing the tax on motor fuel from 7 cents to 11 cents per gallon would be to increase motor fuel collections by approximately \$64 million, or about a 57 percent increase in taxes due. The estimated effect of increasing the special fuel tax from 8 cents to 12 cents per gallon would be an increase in special fuel taxes of about \$9 million or about a 50 percent increase in taxes due. As stated, these estimates are based on the number of gallons of motor vehicle fuel subject to tax in the fiscal year ending June 30, 1975, and no attempt is made to forecast the possible changes in consumption which might occur as the result of the adoption of this proposal or of any other changes affecting the supply and demand of fuel.

LSB 4037 also deals with distribution of road use tax fund. A. below is the existing distribution, B. is proposed by LSB 4037, C. is the distribution based on the earnings- credit analysis performed by DOT for the purpose of determining an equitable distribution of user taxes, D. is a compromise formula reached through discussion with representatives from the state, counties, and cities in 1975.

	Existing Net Distribution FY 1975	LSB 4037 Proposal For FY 1979	Earnings - Credit Formula	Compromise Formula
Primary	49.3%	48.0%	53.2%	49.0%
Secondary	27.8%	25.5%	3.4%	23.0%
Farm-to-market	8.6%	9.0%	19.8%	9.0%
City	14.3%	17.5%	23.6%	19.0%
	100.0%	100.0%	100.0%	100.0%

Source: Department of Revenue
Department of Transportation

FILED
MARCH 25, 1976

BY GERRY D. RANKIN
LEGISLATIVE FISCAL DIRECTOR