## CHAPTER 2

## TRANSPORTATION FUNDING — FUEL TAXES, PERMIT FEES, USE OF FUNDS

S.F. 257

AN ACT relating to transportation funding by limiting the term of indebtedness for certain county projects, modifying certain permit fees, modifying the rate of the excise taxes on motor fuel and certain special fuel, establishing a fuel distribution percentage formula for certain special fuel used in motor vehicles, requiring legislative review of the fuel distribution percentage formulas, extending the repeal date of the access Iowa highway plan, and including effective date provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. 312.2A Restrictions on use.

Moneys credited pursuant to section 312.2, subsection 1, paragraphs "b" and "c", and section 312.2, subsection 12, paragraph "a", shall not be used for debt service or to otherwise pay principal and interest on bonds, loans, or other indebtedness issued or incurred on or after the effective date of this section of this Act, including refunding, reissuance, or other refinancing of such indebtedness, or refunding, reissuance, or other refinancing of indebtedness issued or incurred prior to the effective date of this section of this Act, if the term for repayment of the indebtedness as financed or refinanced would exceed the useful life of the asset being constructed, reconstructed, improved, repaired, equipped, or maintained.

Sec. 2. NEW SECTION. 315.4A Restrictions on use.

Moneys allocated pursuant to section 315.4, subsection 1, paragraph "b", and section 315.4, subsection 2, shall not be used for debt service or to otherwise pay principal and interest on bonds, loans, or other indebtedness issued or incurred on or after the effective date of this section of this Act, including refunding, reissuance, or other refinancing of such indebtedness, or refunding, reissuance, or other refinancing of indebtedness issued or incurred prior to the effective date of this section of this Act, if the term for repayment of the indebtedness as financed or refinanced would exceed the useful life of the asset being constructed, reconstructed, improved, repaired, equipped, or maintained.

Sec. 3. Section 321E.14, subsection 1, Code 2015, is amended to read as follows:

1. Permit-issuing authorities may charge the following fees:

a. Twenty-five <u>Fifty</u> dollars for an annual permit issued pursuant to section 321E.8, subsection 1.

b. Three Four hundred dollars for an annual permit issued pursuant to section 321E.8, subsection 2.

c. Two hundred dollars for a multi-trip permit issued pursuant to section 321E.9A.

*d*. Six hundred dollars for a special alternative energy multi-trip permit issued pursuant to section 321E.9B.

e. Ten Thirty-five dollars for a single-trip permit issued pursuant to section 321E.9.

*f.* Twenty-five dollars for an annual permit for special mobile equipment, as defined in section 321.1, subsection 74, issued pursuant to section 321E.7, subsection 3, with a combined gross weight of not more than eighty thousand pounds.

g. Twenty-five dollars for a permit issued pursuant to section 321E.29 or 321E.29A.

*h*. One hundred dollars for a permit issued pursuant to section 321E.30.

*i*. One hundred twenty sixty dollars for an annual all-systems permit issued pursuant to section 321E.8, which shall be deposited in the road use tax fund.

Sec. 4. NEW SECTION. 331.443A Restrictions on certain projects.

The term of any indebtedness issued or incurred by a county that will be paid in whole or in part with moneys from the secondary road fund of the counties, the farm-to-market road fund, the county bridge construction fund, or the revitalize Iowa's sound economy fund, or any other moneys that may be allocated from the road use tax fund for use by counties, shall be subject to the provisions of sections 312.2A and 315.4A.

Sec. 5. Section 452A.3, subsection 1, unnumbered paragraph 1, Code 2015, is amended to read as follows:

Except as otherwise provided in this section and in this division, until June 30,  $\frac{2015}{2020}$ , this subsection shall apply to the excise tax imposed on each gallon of motor fuel used for any purpose for the privilege of operating motor vehicles in this state.

Sec. 6. Section 452A.3, subsection 1, paragraph b, Code 2015, is amended to read as follows:

*b*. The rate for the excise tax shall be as follows:

(1) If the distribution percentage is not greater than fifty percent, the rate shall be nineteen <u>twenty-nine</u> cents for ethanol blended gasoline and <u>twenty thirty</u> cents for motor fuel other than ethanol blended gasoline.

(2) If the distribution percentage is greater than fifty percent but not greater than fifty-five percent, the rate shall be <u>nineteen twenty-nine</u> cents for ethanol blended gasoline and <del>twenty</del> thirty and one-tenth cents for motor fuel other than ethanol blended gasoline.

(3) If the distribution percentage is greater than fifty-five percent but not greater than sixty percent, the rate shall be <u>nineteen twenty-nine</u> cents for ethanol blended gasoline and <del>twenty</del> thirty and three-tenths cents for motor fuel other than ethanol blended gasoline.

(4) If the distribution percentage is greater than sixty percent but not greater than sixty-five percent, the rate shall be <u>nineteen twenty-nine</u> cents for ethanol blended gasoline and <del>twenty</del> thirty and five-tenths cents for motor fuel other than ethanol blended gasoline.

(5) If the distribution percentage is greater than sixty-five percent but not greater than seventy percent, the rate shall be <u>nineteen twenty-nine</u> cents for ethanol blended gasoline and <del>twenty</del> thirty and seven-tenths cents for motor fuel other than ethanol blended gasoline.

(6) If the distribution percentage is greater than seventy percent but not greater than seventy-five percent, the rate shall be <u>nineteen</u> <u>twenty-nine</u> cents for ethanol blended gasoline and <u>twenty-one</u> thirty-one cents for motor fuel other than ethanol blended gasoline.

(7) If the distribution percentage is greater than seventy-five percent but not greater than eighty percent, the rate shall be <u>nineteen</u> <u>twenty-nine</u> and three-tenths cents for ethanol blended gasoline and <u>twenty</u> <u>thirty</u> and eight-tenths cents for motor fuel other than ethanol blended gasoline.

(8) If the distribution percentage is greater than eighty percent but not greater than eighty-five percent, the rate shall be <u>nineteen</u> <u>twenty-nine</u> and five-tenths cents for ethanol blended gasoline and <del>twenty</del> <u>thirty</u> and seven-tenths cents for motor fuel other than ethanol blended gasoline.

(9) If the distribution percentage is greater than eighty-five percent but not greater than ninety percent, the rate shall be <u>nineteen twenty-nine</u> and seven-tenths cents for ethanol blended gasoline and twenty thirty and four-tenths cents for motor fuel other than ethanol blended gasoline.

(10) If the distribution percentage is greater than ninety percent but not greater than ninety-five percent, the rate shall be nineteen twenty-nine and nine-tenths cents for ethanol blended gasoline and twenty thirty and one-tenth cents for motor fuel other than ethanol blended gasoline.

(11) If the distribution percentage is greater than ninety-five percent, the rate shall be twenty thirty cents for ethanol blended gasoline and twenty thirty cents for motor fuel other than ethanol blended gasoline.

Sec. 7. Section 452A.3, subsection 1, Code 2015, is amended by adding the following new paragraph:

<u>NEW PARAGRAPH</u>. c. The provisions of paragraph "b" and subsection 6, paragraph "a", subparagraph (2), shall be subject to legislative review at least every six years. The review shall be based upon a fuel distribution percentage formula status report containing the recommendations of a legislative interim committee appointed to conduct a review of the fuel distribution percentage formulas, to be prepared with the assistance of the department

of revenue in association with the department of transportation. The report shall include recommendations for changes or revisions to the fuel distribution percentage formulas based upon advances in technology, fuel use trends, and fuel price fluctuations observed during the preceding six-year interval; an analysis of the operation of the fuel distribution percentage formulas during the preceding six-year interval; and a summary of issues that have arisen since the previous review and potential approaches for resolution of those issues. The first such report shall be submitted to the general assembly no later than January 1, 2020, with subsequent reports developed and submitted by January 1 at least every sixth year thereafter.

Sec. 8. Section 452A.3, subsection 2, Code 2015, is amended to read as follows:

2. Except as otherwise provided in this section and in this division, after June 30, 2015 2020, an excise tax of twenty thirty cents is imposed on each gallon of motor fuel used for any purpose for the privilege of operating motor vehicles in this state.

Sec. 9. Section 452A.3, subsection 6, Code 2015, is amended to read as follows:

6. <u>a.</u> For the privilege of operating motor vehicles or aircraft in this state, there is imposed an excise tax on the use of special fuel in a motor vehicle or aircraft. The tax rate on special fuel for diesel engines of motor vehicles is twenty-two and one-half cents per gallon.

(1) Except as otherwise provided in this section and in this division, for the period ending June 30, 2015, and for the period beginning July 1, 2020, and thereafter, the tax rate on special fuel for diesel engines of motor vehicles used for any purpose for the privilege of operating motor vehicles in this state is thirty-two and five-tenths cents per gallon.

(2) Except as provided in this section and in this division, for the period beginning July 1, 2015, and ending June 30, 2020, this subparagraph shall apply to the excise tax imposed on each gallon of special fuel for diesel engines of motor vehicles used for any purpose for the privilege of operating motor vehicles in this state. The rate of the excise tax shall be based on the number of gallons of biodiesel blended fuel classified as B-11 or higher that is distributed in this state as expressed as a percentage of the number of gallons of special fuel for diesel engines of motor vehicles distributed in this state, which is referred to as the distribution percentage. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31. The rate for the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. The rate for the excise tax shall be as follows:

(a) If the distribution percentage is not greater than fifty percent, the rate shall be twenty-nine and five-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(b) If the distribution percentage is greater than fifty percent but not greater than fifty-five percent, the rate shall be twenty-nine and eight-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(c) If the distribution percentage is greater than fifty-five percent but not greater than sixty percent, the rate shall be thirty and one-tenth cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(d) If the distribution percentage is greater than sixty percent but not greater than sixty-five percent, the rate shall be thirty and four-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(e) If the distribution percentage is greater than sixty-five percent but not greater than seventy percent, the rate shall be thirty and seven-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(f) If the distribution percentage is greater than seventy percent but not greater than seventy-five percent, the rate shall be thirty-one cents for biodiesel blended fuel classified

as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(g) If the distribution percentage is greater than seventy-five percent but not greater than eighty percent, the rate shall be thirty-one and three-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(h) If the distribution percentage is greater than eighty percent but not greater than eighty-five percent, the rate shall be thirty-one and six-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(i) If the distribution percentage is greater than eighty-five percent but not greater than ninety percent, the rate shall be thirty-one and nine-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(j) If the distribution percentage is greater than ninety percent but not greater than ninety-five percent, the rate shall be thirty-two and two-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(k) If the distribution percentage is greater than ninety-five percent, the rate shall be thirty-two and five-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(3) The rate of tax on special fuel for aircraft is three five cents per gallon.

(4) On all other special fuel, unless otherwise specified in this section, the per gallon rate is the same as the motor fuel tax.

<u>b.</u> Indelible dye meeting United States environmental protection agency and internal revenue service regulations must be added to fuel before or upon withdrawal at a terminal or refinery rack for that fuel to be exempt from tax and the dyed fuel may be used only for an exempt purpose.

Sec. 10. Section 452A.3, subsections 7, 8, and 9, Code 2015, are amended to read as follows:

7. For liquefied petroleum gas used as a special fuel, the rate of tax shall be twenty thirty cents per gallon.

8. For compressed natural gas used as a special fuel, the rate of tax is twenty-one thirty-one cents per gallon.

9. For liquefied natural gas used as a special fuel, the rate of tax is twenty-two thirty-two and one-half cents per gallon.

Sec. 11. 2005 Iowa Acts, chapter 178, section 41, subsection 3, is amended to read as follows:

3. REPEAL. This section is repealed effective July 1, 2015 2025.

Sec. 12. LEGISLATIVE INTENT.

1. It is the intent of the general assembly that one hundred percent of the revenue produced as a result of the increase in the excise taxes on motor fuel and certain special fuel enacted in this Act and credited to the secondary road fund or the farm-to-market road fund from the road use tax fund pursuant to section 312.2, subsection 1, shall be used exclusively for critical road and bridge construction projects that significantly extend the life of such assets.

2. It is the intent of the general assembly that the state department of transportation and the state transportation commission shall utilize one hundred percent of the revenue produced as a result of the increase in the excise taxes on motor fuel and certain special fuel enacted in this Act that is allocated to the department on critical road and bridge construction projects. The department shall identify the critical road and bridge construction projects funded with such revenue in the department's annual five-year transportation improvement program report.

3. The department of transportation shall identify ten million dollars in efficiencies for the fiscal year beginning July 1, 2015, and ten million dollars in efficiencies for the fiscal year

beginning July 1, 2016, in addition to the identification of any other efficiencies as required by law. The department shall provide details of activities undertaken to implement these efficiencies in the annual "Road Use Tax Fund Efficiency Report" required by 2012 Iowa Acts, chapter 1129, section 4, as amended by 2014 Iowa Acts, chapter 1123, section 21.

Sec. 13. INVENTORY TAX EXEMPTION. Notwithstanding section 452A.85, persons who have title to motor fuel, ethanol blended gasoline, undyed special fuel, compressed natural gas, liquefied natural gas, or liquefied petroleum gas in storage and held for sale on the effective date of an increase in the rate of excise tax imposed on motor fuel, ethanol blended gasoline, undyed special fuel, compressed natural gas, liquefied natural gas, or liquefied petroleum gas are subject to an inventory tax on the gallonage in storage as a result of the tax increases provided in this Act.

Sec. 14. EFFECTIVE UPON ENACTMENT. The following provisions of this Act, being deemed of immediate importance, take effect upon enactment:

1. The section of this Act enacting section 312.2A.

2. The section of this Act enacting section 315.4A.

3. The section of this Act enacting section 331.443A.

4. The section of this Act amending 2005 Iowa Acts, chapter 178, section 41.

Sec. 15. EFFECTIVE DATES.

1. Except as otherwise provided in this Act, this Act takes effect the first day of the month following the month of enactment of this Act.

2. The section of this Act amending section 321E.14 takes effect January 1, 2016.

Approved February 25, 2015