

701—260.3(452A) Responsibilities of blenders at nonterminal locations.

260.3(1) *Generally.* A person who blends ethanol blended gasoline or biodiesel blended fuel at a nonterminal location must:

- a. Obtain a blender's license. Blending ethanol with gasoline, or blending biodiesel with petrodiesel, may result in additional tax due or an allowable refund depending on the ethanol content of the mixture and the tax paid on its components.
- b. Make payments of any additional tax due that may result from blending depending on the content of the mixture.
- c. Obtain a refund permit to receive allowable refunds of any overpayment of tax that may result from blending depending on the content of the mixture.

EXAMPLE 1: A blender blends three parts ethanol E-100 with 17 parts gasoline to create ethanol blended gasoline classified as E-15 or higher. The blended product is taxed as ethanol blended gasoline E-15 or higher, and the blender may be due a refund for excess tax paid on the gasoline used to create the blended product.

EXAMPLE 2: A blender blends one-part biodiesel B-100 with four parts petrodiesel to create biodiesel blended fuel classified as B-20 or higher. The blended product is taxed as biodiesel B-20 or higher undyed, and the blender may be due a refund for excess tax paid on the petrodiesel used to create the blended product.

EXAMPLE 3: A blender blends one part biodiesel B-100 with 19 parts petrodiesel to create biodiesel blended fuel classified as B-5. The blended product is taxed as special fuel undyed, and the blender may owe additional tax to the department on the biodiesel B-100 used to create the blended product.

EXAMPLE 4: A blender blends one part biodiesel blended fuel classified as B-20 with five parts biodiesel blended fuel classified as B-2 to create biodiesel blended fuel classified as B-5. The blended product is taxed as special fuel undyed other than B-20 or higher, and the blender may owe additional tax to the department on the biodiesel blended fuel classified as B-20 used to create the blended product.

260.3(2) *Blenders of ethanol blended gasoline.*

a. *E-15 or higher additional tax due example where ethanol is owned by a blender and gasoline is purchased by the blender from a supplier.*

(1) A blender who owns the ethanol (supplier) being used to blend with gasoline must purchase the gasoline from a supplier and pay the appropriate tax to the supplier.

(2) The blender must obtain a blender's license and compute the tax due on the total gallons of blended product and make payment to the department for the additional amount due.

(3) Example. For purposes of the following example, the tax rate for gasoline is presumed to be 30¢ per gallon and the tax rate for ethanol blended gasoline E-15 or higher is presumed to be 24¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE:

Blender purchases 7,000 gallons tax-paid gasoline (7,000 × .30) =	\$2,100.00
Blender adds 3,000 gallons untaxed ethanol	\$.00
Total tax paid on products	<u>\$2,100.00</u>
Total tax due on 10,000 gallons ethanol blended gasoline E-15 or higher (10,000 × .24) =	\$2,400.00
Additional Amount Due	<u>\$300.00</u>

b. *E-15 or higher refund example where ethanol and gasoline are purchased by a blender from a supplier.* A blender who purchases ethanol and gasoline from a supplier must pay tax on both the ethanol purchased and the gasoline purchased. The blender must obtain a refund permit to receive a refund of the overpayment of tax on the blended product. Example: For purposes of the following example, the tax rate for gasoline is presumed to be 30¢ per gallon and the tax rate for ethanol blended gasoline E-15 or higher is presumed to be 24¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE:

Blender purchases 7,000 gallons tax-paid gasoline (7,000 × .30) =	\$2,100.00
Blender purchases 3,000 gallons tax-paid ethanol (3,000 × .24) =	\$720.00
Total tax paid on products	<u>\$2,820.00</u>
Total tax due on 10,000 gallons ethanol blended gasoline E-15 or higher (10,000 × .24) =	\$2,400.00
Amount of Refund Allowable	<u>\$420.00</u>

c. *E-10 to E-14 example where ethanol and gasoline are purchased by a blender from any source.* A blender who purchases ethanol and gasoline from any source must pay tax on both the ethanol purchased and the gasoline purchased. The blender must obtain a blender's license and compute the tax due on the total gallons of blended product and make payment to the department for the additional amount due. Example: For purposes of the following example, the tax rate for gasoline is presumed to be 30¢ per gallon, the tax rate for ethanol is presumed to be 24¢ per gallon, and the tax rate for ethanol blended gasoline E-10 is presumed to be 30¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE:

Blender purchases 7,200 gallons tax-paid gasoline (7,200 × .30) =	\$2,160.00
Blender purchases 800 gallons tax-paid ethanol (800 × .24) =	\$192.00
Total tax paid on products	<u>\$2,352.00</u>
Total tax due on 8,000 gallons ethanol blended gasoline E-10 (8,000 × .30) =	\$2,400.00
Additional Amount Due	<u>\$48.00</u>

d. *E-15 or higher refund example where ethanol blended gasoline E-10 to E-14 and ethanol blended gasoline E-15 or higher are purchased by a blender from a supplier.* A blender who purchases ethanol blended gasoline E-10 to E-14 and ethanol blended gasoline E-15 or higher from a supplier must pay tax on both the ethanol blended gasoline E-10 to E-14 purchased and the ethanol blended gasoline E-15 purchased. The blender must obtain a refund permit to receive a refund of the overpayment of tax on the blended product. Example: For purposes of the following example, the tax rate for E-10 to E-14 purchased is presumed to be 30¢ per gallon and the tax rate for ethanol blended gasoline E-15 or higher is presumed to be 24¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE:

Blender purchases 7,000 gallons tax-paid ethanol blended gasoline E-10 to E-14 (7,000 × .30) =	\$2,100.00
Blender purchases 3,000 gallons tax-paid ethanol blended gasoline E-15 or higher (3,000 × .24) =	\$720.00
Total tax paid on products	<u>\$2,820.00</u>
Total tax due on 10,000 gallons ethanol blended gasoline E-15 or higher (10,000 × .24) =	\$2,400.00
Amount of Refund Allowable	<u>\$420.00</u>

e. *Ethanol blended gasoline E-15 or higher blending errors.* Where a blending error occurs and an insufficient amount of ethanol has been blended with gasoline so that the mixture fails to qualify as ethanol blended gasoline E-15 or higher, a 1 percent tolerance applies in determining the tax on the blended product as described below:

(1) If the amount of the ethanol erroneously blended with gasoline is at least 14 percent of the total blended product by volume, the ethanol and gasoline blended product is considered ethanol blended gasoline E-15 or higher and there is no penalty or assessment of additional tax.

(2) If the amount of ethanol erroneously blended with gasoline is less than 14 percent of the total blended product by volume, the total blend of gasoline and ethanol is subject to tax as motor fuel other than ethanol blended gasoline E-15 or higher at the prevailing rate of tax.

1. Blending errors occur only if a blender intends to produce ethanol blended gasoline E-15 or higher. If a blender does not intend to produce ethanol blended gasoline when blending ethanol and gasoline, and the mixture contains less than 14 percent ethanol by volume, no error has occurred and the mixture is subject to tax as motor fuel other than ethanol blended gasoline E-15 or higher.

2. The following formulas are used to compute blending errors:

Actual gasoline + actual ethanol = total gallons of blended product

Total gallons of blended product \times .14 = required ethanol

3. Examples. The following factors are assumed for all examples:

The blender in each example intends to blend ethanol blended gasoline E-15 or higher. Figures are rounded to the nearest whole gallon; ethanol blended gasoline E-15 or higher is taxed at 24¢ per gallon; gasoline is taxed at 30¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov. Penalty and interest charges are not computed in the examples.

EXAMPLE 1:

Actual gasoline	=	8,500 gal.
Actual ethanol	=	1,500 gal.
Total blended product	=	10,000 gal.
$10,000 \times .14$	=	1,400 gal. required ethanol

The actual ethanol (1,500 gallons) is more than the required ethanol (1,400 gallons), which means that the tax is applied according to subparagraph 260.4(2) "e"(1) as follows:

$$10,000 \text{ gal. of blended product} \times .24 = \$2,400 \text{ tax on ethanol blended gasoline E-15 or higher}$$

EXAMPLE 2:

Actual gasoline	=	9,200 gal.
Actual ethanol	=	800 gal.
Total blended product	=	10,000 gal.
$10,000 \times .14$	=	1,400 gal. required ethanol

The actual ethanol (800 gallons) is less than the required ethanol (1,400 gallons), which means that the entire blend is considered motor fuel other than ethanol blended gasoline E-15 or higher and the tax is applied according to subparagraph 260.4(2) "e"(2) as follows:

$$10,000 \text{ gal. of blended product} \times .30 = \$3,000 \text{ tax on motor fuel other than ethanol blended gasoline E-85 or higher}$$

260.3(3) Blenders of biodiesel blended fuel.

a. Biodiesel B-20 or higher additional tax due.

(1) A blender who owns the biodiesel being used to blend with diesel must purchase the diesel from a supplier and pay the appropriate tax to the supplier.

(2) The blender must obtain a blender's license and compute the tax due on the total gallons of blended product and make payment to the department for the additional amount due.

(3) Examples. For purposes of the following examples, the tax rate for B-20 or higher is presumed to be 29.5¢ per gallon and the tax rate for special fuel other than B-20 or higher is presumed to be 32.5¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE 1:

Blender purchases 8,000 gallons tax-paid petrodiesel ($8,000 \times .325$) =	\$2,600.00
Blender adds 2,000 gallons untaxed biodiesel =	\$.00

Total tax paid on products = $\overline{\$2,600.00}$

The blended product is 10,000 gallons of special fuel, which includes 2,000 gallons (20 percent by volume) of biodiesel. Thus, the product is taxed as B-20 or higher.

Total tax due on 10,000 gallons blended B-20 or higher ($10,000 \times .295$) = \$2,950.00
 Additional Amount Due = $\overline{\$350.00}$

EXAMPLE 2:

Blender purchases 7,600 gallons tax-paid petrodiesel ($7,600 \times .325$) = \$2,470.00
 Blender adds 400 gallons untaxed biodiesel = \$.00
 Total tax paid on products = $\overline{\$2,470.00}$

The blended product is 8,000 gallons of special fuel, which includes 400 gallons (5 percent by volume) of biodiesel. Thus, the product is taxed as special fuel undyed classified as other than B-20 or higher.

Total tax due on 8,000 gallons special fuel undyed classified as other than B-20 or higher ($8,000 \times .325$) = \$2,600.00
 Additional Amount Due = $\overline{\$130.00}$

EXAMPLE 3:

Blender purchases 7,750 gallons tax-paid B-2 ($7,750 \times .325$) = \$2,518.75
 Blender adds 250 gallons untaxed biodiesel = \$.00
 Total tax paid on products = $\overline{\$2,518.75}$

7,750 gallons of B-2 contains 155 gallons (2 percent) of biodiesel. The blended product is 8,000 gallons of special fuel, which includes 405 gallons ($155 + 250$, or 5 percent by volume) of biodiesel. Thus, the product is taxed as special fuel undyed classified as other than B-20 or higher.

Total tax due on 8,000 gallons special fuel undyed classified as other than B-20 ($8,000 \times .325$) = \$2,600.00
 Additional Amount Due = $\overline{\$81.25}$

b. Diesel purchased by blender:

(1) A blender who purchases diesel products from a supplier must pay the appropriate tax on all diesel products purchased.

(2) The blender must obtain a blender's license and compute the tax due on the total gallons of blended product and make payment to the department for any additional amount due.

(3) The blender must also obtain a refund permit to receive a refund of any overpayment of tax on the blended product.

(4) Examples. For purposes of the following examples, the tax rate for B-20 or higher is presumed to be 29.5¢ per gallon and the tax rate for special fuel other than B-20 or higher is presumed to be 32.5¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov.

EXAMPLE 1:

Blender purchases 8,000 gallons tax-paid petrodiesel ($8,000 \times .325$) = \$2,600.00
 Blender purchases 2,000 gallons tax-paid biodiesel ($2,000 \times .295$) = \$590.00
 Total tax paid on products = $\overline{\$3,190.00}$

The blended product is 10,000 gallons of biodiesel blended fuel classified as B-20 or higher, which includes 2,000 gallons (20 percent by volume) of biodiesel. Thus, the product is taxed as biodiesel blended fuel classified as B-20 or higher.

Total tax due on 10,000 gallons of blended fuel classified as B-20 or higher (10,000 × .295) =	\$2,950.00
Amount of Refund Allowable =	<u>\$240.00</u>

EXAMPLE 2:

Blender purchases 7,600 gallons tax-paid petrodiesel (7,600 × .325) =	\$2,470.00
Blender purchases 400 gallons tax-paid biodiesel (400 × .295) =	\$118.00
Total tax paid on products =	<u>\$2,588.00</u>

The blended product is 8,000 gallons of biodiesel blended fuel classified as other than B-20 or higher, which includes 400 gallons (5 percent by volume) of biodiesel. Thus, the product is taxed as special fuel other than B-20 or higher.

Total tax due on 8,000 gallons blended B-5 (8,000 × .325) =	\$2,600.00
Additional Amount Due =	<u>\$12.00</u>

EXAMPLE 3:

Blender purchases 4,000 gallons tax-paid B-2 (4,000 × .325) =	\$1,300.00
Blender purchases 4,000 gallons tax-paid B-20 (4,000 × .295) =	\$1,180.00
Total tax paid on products =	<u>\$2,480.00</u>

4,000 gallons of B-2 contains 80 gallons (2 percent) of biodiesel, and 4,000 gallons of B-20 contains 800 gallons (20 percent) of biodiesel. The blended product is 8,000 gallons of special fuel, which includes 880 gallons (80 + 800, or 11 percent by volume) of biodiesel. Thus, the product is taxed as special fuel other than B-20 or higher.

Total tax due on 8,000 gallons B-11 or higher (8,000 × .301) =	\$2,600.00
Amount of Refund Allowable =	<u>\$120.00</u>

260.3(4) Blending errors.

a. Blending tolerance. Where a blending error occurs and an insufficient amount of biodiesel has been blended with petrodiesel so that the mixture fails to qualify as B-20 or higher as defined in rule 701—259.1(452A), a 1 percent tolerance applies in determining the tax on the blended product as described below:

(1) If the amount of the biodiesel erroneously blended with petrodiesel is at least 19 percent of the total blended product by volume, the biodiesel and petrodiesel blended product is considered B-20 or higher and there is no penalty or assessment of additional tax.

(2) If the amount of biodiesel blended with petrodiesel is less than 19 percent of the total blended product by volume, the entire mixture is considered taxable diesel other than B-20 or higher and subject to tax at the prevailing rate.

b. Intention to blend. Blending errors occur only if a blender intends to produce B-20 or higher. If a blender does not intend to produce B-20 or higher when blending biodiesel and petrodiesel, and the mixture contains less than 19 percent biodiesel by volume, no error has occurred and the mixture is subject to tax as diesel other than B-20 or higher.

c. Computation of blending errors. The following formulas are used to compute blending errors:

Actual biodiesel + actual petrodiesel = total gallons of blended product

Total gallons of blended product × .19 = required biodiesel

d. Examples. The following factors are assumed for all examples:

The blender in each example intends to blend B-20 or higher. Figures are rounded to the nearest whole gallon; B-20 or higher is taxed at .295¢ per gallon; diesel other than B-20 or higher is taxed at .325¢ per gallon. The actual tax rates for the appropriate period may be found on the department's website at revenue.iowa.gov. Penalty and interest charges are not computed in the examples.

EXAMPLE 1:

Actual petrodiesel	=	6,400 gal.
Actual biodiesel	=	1,600 gal.
Total blended product	=	8,000 gal.
8,000 × .19	=	1,520 gal. required biodiesel

The actual biodiesel (1,600 gallons) is more than the required biodiesel (1,520 gallons). Thus, the tax is applied according to subparagraph 260.4(3) “c”(1) as follows:

$$8,000 \text{ gal. of blended product} \times .295 = \$2,360 \text{ tax on B-20 or higher}$$

EXAMPLE 2:

Actual petrodiesel	=	6,600 gal.
Actual biodiesel	=	1,400 gal.
Total blended product	=	8,000 gal.
8,000 × .19	=	1,520 gal. required biodiesel

The actual biodiesel (1,400 gallons) is less than the required biodiesel (1,520 gallons). Thus, the tax is applied according to subparagraph 260.4(3) “c”(2) as follows:

$$8,000 \text{ gal. of blended product} \times .325 = \$2,600 \text{ tax on diesel other than B-20 or higher}$$

EXAMPLE 3:

A blender erroneously mixes 3,000 gallons of B-2 with 5,000 gallons of B-30 with the intent of creating B-20 or higher. 3,000 gallons of B-2 contains 60 gallons (2 percent) of biodiesel. 5,000 gallons of B-30 contains 1,500 gallons (30 percent) of biodiesel. Thus, the 8,000 gallons (3,000 + 5,000) of blended product includes 1,560 gallons (60 + 1,500) of biodiesel and 6,440 gallons (8,000 – 1,560) of petrodiesel.

Actual petrodiesel	=	6,440 gal.
Actual biodiesel	=	1,560 gal.
Total blended product	=	8,000 gal.
8,000 × .19	=	1,520 gal. required biodiesel

The actual biodiesel (1,560 gallons) is greater than the required biodiesel (1,520 gallons), which means that the entire blend is considered B-20 or higher and the tax is applied according to subparagraph 260.4(3) “c”(1) as follows:

$$8,000 \text{ gal. of blended product} \times .295 = \$2,360 \text{ tax on B-20 or higher}$$

This rule is intended to implement Iowa Code section 452A.8.
[ARC 9043C, IAB 3/19/25, effective 4/23/25]