

701—68.4 (452A) Ethanol blended gasoline taxation—nonterminal location.

68.4(1) Blenders who own the alcohol (supplier) being used to blend with gasoline must purchase the gasoline from a supplier and pay the appropriate tax to the supplier (20¢ per gallon). 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. For purposes of this subrule and subrules 68.4(2) and 68.4(3), the tax rate for gasoline is presumed to be 20¢ per gallon and the tax rate for ethanol blended gasoline is presumed to be 19¢ per gallon. The actual tax rate for the appropriate period is shown in subrule 68.2(1).

EXAMPLE:

Blender purchases 7,200 gallons tax-paid gasoline ($7,200 \times .20$) =	\$1,440.00
Blender adds 800 gallons untaxed alcohol	.00
Total tax paid on products	\$1,440.00
Total tax due on 8,000 gallons blended product ($8,000 \times .19$) =	<u>\$1,520.00</u>
Additional Amount Due	\$ 80.00

68.4(2) Blenders who purchase alcohol and gasoline from a supplier must pay tax of \$.19 per gallon on the alcohol purchased and \$.20 per gallon on the gasoline purchased. The blender must obtain a refund permit to receive a refund of the overpayment of tax on the blended product.

EXAMPLE:

Blender purchases 7,200 gallons tax-paid gasoline ($7,200 \times .20$) =	\$1,440.00
Blender purchases 800 gallons tax-paid alcohol ($800 \times .19$) =	152.00
Total Tax Paid on Products	<u>\$1,592.00</u>
Total tax due on 8,000 gallons blended product ($8,000 \times .19$) =	<u>\$1,520.00</u>
Amount of Refund Allowable	\$ 72.00

68.4(3) Ethanol blended gasoline—blending errors. For periods beginning July 1, 1978, to June 30, 2000.

Where blending errors occur and an insufficient amount of alcohol has been blended with motor fuel so that the mixture fails to qualify as ethanol-blended gasoline as defined in Iowa Code section 452A.2(6), the tax shall be determined as follows:

a. If the amount of the alcohol blended with motor fuel is short by five gallons or less per blend, the alcohol and motor fuel blended is to be considered ethanol-blended gasoline and there will be no penalty or assessment of additional tax.

b. If the alcohol and motor fuel mixture is short of alcohol by more than five gallons but the alcohol blended with the motor fuels is short by 1.01 percent or less of such mixture, the motor fuel must be divided for tax purposes into ethanol-blended gasoline and motor fuel containing no alcohol as follows.

That portion of alcohol must be added to motor fuel on the basis of one part alcohol to nine parts motor fuel to determine the portion which is considered ethanol-blended gasoline and have a tax status as such. The portions of motor fuel remaining are to be considered taxable motor fuel subject to tax at the prevailing rate.

c. If the amount of alcohol blended with motor fuel is short by more than 1.01 percent of the total blend, the total blend of motor fuel and alcohol is subject to tax as motor fuel at the prevailing rate of tax.

The following formula will be used to compute blending errors:

Motor fuel \div 9 = required alcohol

Misblended ethanol blended gasoline \times .0101 = gallons of alcohol tolerance

Required alcohol – actual alcohol is less than or equal to gallons of alcohol short

Actual alcohol \times 9 = motor fuel portion of ethanol-blended gasoline

Motor fuel portion of ethanol-blended gasoline + actual alcohol = ethanol-blended gasoline

Actual motor fuel – motor fuel portion of ethanol-blended gasoline = motor fuel

The following factors are assumed for all examples:

Figures are rounded to the nearest whole gallons; ethanol-blended gasoline taxed at \$.19 per gallon; motor fuel taxed at \$.20 per gallon. Penalty and interest charges are not computed in the examples.

EXAMPLE 1.

Motor fuel	=	8,000 gal.
Alcohol	=	800 gal.
$8,000 \div 9$	=	889 gal. required alcohol
$8,800 \times .0101$	=	89 gal. alcohol tolerance
$889 - 800$	=	89 gal. short of alcohol

89 is equal to 89 which means that the tax is applied according to paragraph “b” above as follows:

800×9	=	7,200 gal. motor fuel portion of ethanol-blended gasoline
$7,200 + 800$	=	8,000 gal. of ethanol-blended gasoline
$8,000 - 7,200$	=	800 gal. of motor fuel subject to tax
8,000 gal. of alcohol \times \$.19	=	\$1520 tax on ethanol-blended gasoline
800 gal. of motor fuel \times \$.20	=	\$ 160
TOTAL		\$1680 (\$1520 + \$160)

EXAMPLE 2.

Motor fuel	=	8,000 gal.
Alcohol	=	795 gal.
$8,000 \div 9$	=	889 gal. required alcohol
$8,795 \times .0101$	=	89 gal. alcohol tolerance
$889 - 795$	=	94 gal. short of alcohol

94 is greater than 89 which means that the entire blend is considered motor fuel and the tax is applied according to paragraph “c” above as follows:

$8,795 \times \$.20$	=	\$1759.00
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EXAMPLE 3.

Motor fuel	=	8,000 gal.
Alcohol	=	885 gal.
$8,000 \div 9$	=	889 gal. required alcohol
$889 \text{ gal.} - 885 \text{ gal.}$	=	4 gal. short of alcohol

This total blend is considered ethanol blended gasoline because the blend is short by less than 5 gallons. The tax would be as follows:

$$8,885 \text{ gal.} \times \$0.19 = \$1688.15$$

This rule is intended to implement Iowa Code section 452A.8 as amended by 1995 Iowa Acts, chapter 155.