

MOTOR FUEL EXCISE TAX RATE CHANGES — FY 2018

On July 1, 2017, motor fuel excise tax rates for unblended gasoline decreased from \$0.307 to \$0.305 per gallon due to a change in the ethanol-blended distribution percentage calculated for calendar year 2016. According to the Iowa Department of Revenue (IDR) and data from the Iowa Department of Transportation (DOT), after the estimated refunds from gross collections, there will be an estimated decrease in revenue to the Road Use Tax Fund (RUTF) of \$400,000 for FY 2018.

Background. Per Iowa Code section [452A.3](#), motor fuel excise tax rates for the start of each fiscal year are based upon the ethanol-blended distribution from the previous calendar year (CY). The net proceeds of the motor fuel tax are credited to the RUTF per Iowa Code section [452A.79](#). The following table shows the scheduled tax rates by ethanol distribution.

Tax Parameters by Distribution Percentage

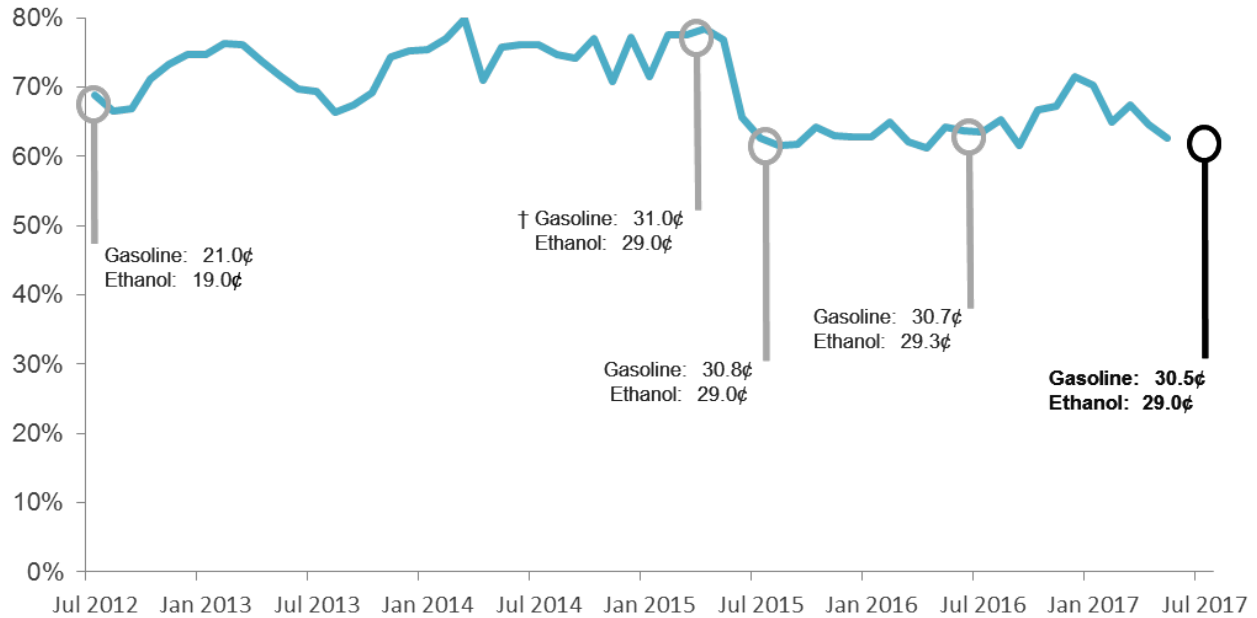
Category/ Distribution Percentage	Excise Tax Rates (Cents per Gallon)	
	Ethanol-Blend	Gasoline
Motor Fuel (Percent Ethanol)		
<= 50%	29.0	30.0
> 50% and <= 55%	29.0	30.1
> 55% and <= 60%	29.0	30.3
> 60% and <= 65%	29.0	30.5
> 65% and <= 70%	29.0	30.7
> 70% and <= 75%	29.0	31.0
> 75% and <= 80%	29.3	30.8
> 80% and <= 85%	29.5	30.7
> 85% and <= 90%	29.7	30.4
> 90% and <= 95%	29.9	30.1
> 95%	30.0	30.0

Motor Fuel Tax Adjustments.

- In CY 2015, the ethanol-blended distribution rate was estimated to be between 65 and 70 percent. The motor fuel excise tax rate for gasoline in FY 2017 was \$0.307 per gallon.
- In CY 2016, the ethanol-blended distribution rate was estimated to be between 60 and 65 percent. The motor fuel excise tax rate for gasoline in FY 2018 is \$0.305 per gallon. This is a \$0.002 decrease.

The following chart shows the distribution of the estimated percentage of ethanol-blended motor fuel over a five-year period.

Estimated Ethanol Distribution Percentage by Month
(with excise tax rates for gasoline and ethanol-blended gasoline)



† SF 257 of the 2015 Legislative Session increased excise tax rates for gasoline and ethanol by 10.0¢.
Source: IDR, LSA calculations

There are no additional changes in the excise tax rates in FY 2018 for other categories of motor fuel. The current schedule for ethanol-blended distribution percentage rates expires in FY 2020.

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