



[HF 2128](#) – Renewable Fuels Incentives (LSB5021HV.2)

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Fiscal Note Version – As amended by Amendment [S-5143](#) (Senate Ways and Means Committee Amendment)

Description

[House File 2128](#) relates to ethanol and biodiesel blended motor fuels by establishing retail dealer requirements related to fuel products advertised and offered for sale, enhancing and extending State tax credits, modifying motor fuel infrastructure grant eligibility requirements, extending the motor fuel tax differential for ethanol and biodiesel blends, and requiring State vehicles to be able to use and to use certain types of biofuel blends.

Significant provisions of Amendment S-5143 include:

- Provides for a limited exemption from the requirements to offer for sale E-15 at Iowa gasoline retail locations. To be eligible for the exemption, the retail motor fuel site must meet all of the following requirements:
 - The site must have existed as a retail motor fuel site prior to January 1, 2023.
 - The site’s annual average gasoline gallons for calendar year (CY) 2020 through 2022 must not have exceeded 300,000 gallons.
 - The gasoline storage tanks located at the site must not be replaced.
- Alters the changes made in HF 2128 as amended and passed by the House to the Renewable Fuels Infrastructure Program (see Iowa Code chapter [159A](#), subchapter III). That program provides grants to motor fuel retailers who install infrastructure designed to dispense motor fuels with ethanol and/or biodiesel content. Under the provisions of Iowa Code section [159A.17](#), the program is appropriated \$5.0 million annually from the State General Fund for FY 2022 and succeeding fiscal years. Prior to FY 2022, the program received funding through the Rebuild Iowa Infrastructure Fund (RIIF). The amendment places Iowa retail motor fuel sites into three categories called “tiers.”
 - Tier I — Sites where E-15 gasoline blends have never been sold, where the annual gasoline gallons sold over the CY 2020 through 2022 period did not exceed 140,000, and where the person who owns or operates the site owns or operates no more than 10 motor fuel sites in Iowa. Tier I sites are eligible for a grant equal to the lesser of 90.0% of qualified costs or \$63,900.
 - Tier II — Sites where E-15 gasoline blends have never been sold, where the annual gasoline gallons sold over the CY 2020 through 2022 period exceeded 140,000 but did not exceed 450,000, and where the person who owns or operates the site owns or operates no more than 10 motor fuel sites in Iowa. Tier II sites are eligible for a grant equal to the lesser of 75.0% of qualified costs or \$53,250.
 - Tier III — All other motor fuel retail sites in the State. Tier III sites are eligible for a grant equal to the lesser of 75.0% of qualified costs or \$50,000.
- Alters the prioritization of motor fuel infrastructure grant applications.
 - First priority — Sites assigned special status as defined in HF 2128, section 89, as amended and passed by the House.
 - Second priority — Tier I sites.
 - Third priority — Tier II sites.

- Fourth priority — Tier III sites where E-15 was sold prior to January 1, 2023.
- Fifth priority — All other Tier III sites.

Fiscal Impact

The changes contained in Amendment [S-5143](#) will exempt a limited number of retail locations from the requirement in HF 2128 for retail motor fuel sites to sell E-15 gasoline, and the exempted locations are expected to represent a small percentage of overall Iowa gasoline sales. The impact of the Bill as amended and passed by the House to State General Fund revenue (through increased redemption of biofuel retail and production tax incentives) and to the Road Use Tax Fund (through changes to the motor fuel per-gallon tax differential for biofuels) is provided in the [Fiscal Note](#) for the Bill as amended and passed by the House. The amendment is projected to slightly reduce the overall sale of E-15 gasoline when compared to the projected gallons sold under the Bill as amended and passed by the House.

The amendment’s revisions to the infrastructure grant prioritization process are not expected to change the overall expenditures of the program, as the program is funded through an annual \$5.0 million standing limited State General Fund appropriation.

Source

Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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