
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: E-85 Gasoline Promotion Tax Credit

The E-85 Gasoline Promotion Tax Credit is available to retail dealers of gasoline who sell blended gasoline that is classified as E-85 gasoline (70.0% to 85.0% ethanol content). The tax credit amount has varied over the years, with the credit equal to the following amounts by qualified gallon sold in the listed calendar year (CY):

- CY 2006 through 2008: \$0.25
- CY 2009 and 2010: \$0.20
- CY 2011: \$0.10
- CY 2012 through CY 2024: \$0.16

The retail dealer is allowed to claim the E-85 Gasoline Promotion Tax Credit on the same gallons used to calculate the dealer's Ethanol Promotion Tax Credit.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code Citations:
 - [Section 422.11O](#) — Individual Income Tax
 - [Section 422.33\(11B\)](#) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2025
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the next tax year.
- Tax Review Committee Review Year: 2019

Legislative History

As originally enacted in 2006, the tax credit equaled \$0.25 per blended gallon for CY 2006 through CY 2008, and then was to be phased down over the next 12 calendar years and equal \$0.01 per blended gallon for CY 2020. There was no tax credit for blended gallons beyond CY 2020. A sunset date of January 1, 2021, was established in the original legislation.

In 2011, legislation was enacted that removed the tax credit phase-down and set the tax credit rate at \$0.16 per blended gallon, beginning CY 2012. The sunset date was also moved up three years, to January 1, 2018. In 2016, the sunset date was moved back seven years, to January 1, 2025.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2020-06/Iowa_Biofuel_Retailer_Tax_Credits_Evaluation_Study_2019.pdf

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Department of Revenue Retailers Motor Fuel Gallons Annual Report:

tax.iowa.gov/sites/default/files/2020-03/2019_Retailers_Fuel_Gallons_Annual_Report.pdf

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Tax Credit Review, Usage, and Future Liability

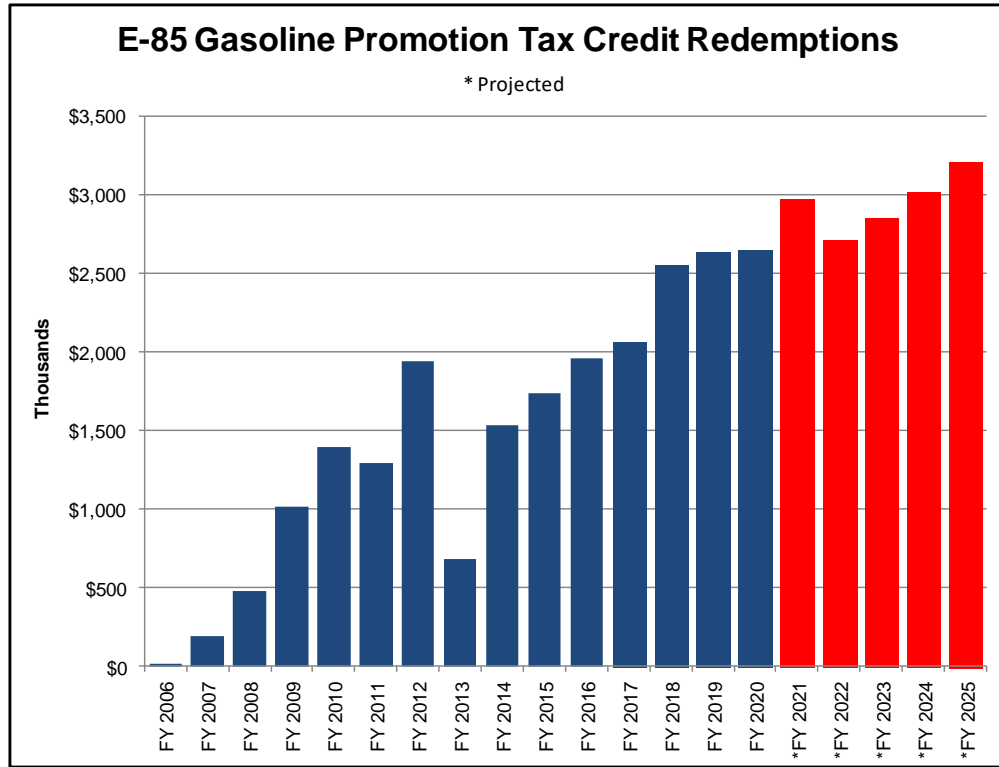
The following is based on a Department of Revenue review of the E-85 Gasoline Promotion Tax Credit released December 2014 (with updated claims data provided by the Department through Tax Year (TY) 2016) and the CY 2018 Retailers Motor Fuel Gallons Annual Report:

- For CY 2019:
 - Iowa retailers reported the sale of 19.0 million gallons of ethanol blended gasoline qualifying as E-85, an amount equal to 1.2% of all retail gasoline gallons sold. At the \$0.16 cent per gallon tax credit rate for CY 2019 sales, the 19.0 million E-85 gallons earned retailers a total of \$3.0 million in tax credits.
 - The amount of pure ethanol calculated as a component of blended E-85 gasoline was 15.0 million gallons, an amount equal to 1.0% of the total volume of gasoline fuel sold by the reporting retailers.
 - Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 15.0 million gallons of pure ethanol sold in Iowa as a component of E-85 blended gasoline represents the utilization of 5.4 million bushels of corn (0.2% of the 2019 Iowa corn crop).
- For TY 2006 through TY 2017:¹
 - A total of \$19.0 million in E-85 Gasoline Promotion Tax Credits was claimed by taxpayers, with 33.4% claimed by corporate taxpayers and 66.6% by individual taxpayers (includes business income passed through to the individual income tax return).
 - The average number of tax credit claimants in a year was 105.
 - Over the 12 tax years, \$15.2 million (80.4%) in tax credit claims was claimed by the top 20 claimants in terms of dollars claimed for each of the 12 years.

The Department of Revenue reports on the annual credit usage for the E-85 Gasoline Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption history and projections for the E-85 Gasoline Promotion Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

E-85 Gasoline Promotion Tax Credit History			
* Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2006	\$ 19,678	FY 2016	\$ 1,956,227
FY 2007	188,187	FY 2017	2,060,483
FY 2008	477,209	FY 2018	2,552,977
FY 2009	1,018,679	FY 2019	2,631,473
FY 2010	1,396,559	FY 2020	2,641,586
FY 2011	1,289,687	*FY 2021	2,970,809
FY 2012	1,944,411	*FY 2022	2,709,716
FY 2013	685,817	*FY 2023	2,847,208
FY 2014	1,531,700	*FY 2024	3,014,370
FY 2015	1,739,603	*FY 2025	3,209,457

¹ The Department of Revenue indicates that the tax credit claim total for TY 2017 is not complete.



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