
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Ethanol Promotion Tax Credit

The Ethanol Promotion Tax Credit sunset was January 1, 2021. The credit was available to retail dealers of gasoline who sold gasoline blended with ethanol. The tax credit was based on the gallons of pure ethanol sold by the retailer as components of gasoline blended with ethanol. The credit, equal to 4.0 cents to 8.0 cents per pure ethanol gallon, was available to retailers meeting a defined schedule of biofuel threshold percentages (pure ethanol gallons divided by total gasoline gallons sold). In determining if a retailer met a particular biofuel threshold percentage, any pure gallons of biodiesel sold by the retailer were counted as pure ethanol gallons.

The tax credit had two defined schedules of biofuel threshold percentages: one schedule for retailers selling 200,000 or fewer gallons of gasoline in a year, and one schedule for retailers selling more than that amount. The biofuel threshold percentage schedules, along with the current per-gallon tax credit amounts, are listed in **Table 1**.

The retail dealer was allowed to claim the Ethanol Promotion Tax Credit on the same gallons used to calculate the dealer's E-85 Gasoline Promotion Tax Credit and E-15 Plus Gasoline Promotion Tax Credit. The Ethanol Promotion Tax Credit replaced the Ethanol Blended Gasoline Tax Credit beginning calendar year (CY) 2009.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code Citations:
 - [Section 422.11N](#) — Individual Income Tax
 - [Section 422.33](#)(11A) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2021
- 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As originally enacted in 2006, the tax credit amounts equaled 2.5 cents, 4.5 cents, and 6.5 cents per pure ethanol gallon, depending on the retailer's pure ethanol sales percentage. Legislation enacted in 2011 raised the credit amounts to 4.0 cents, 6.0 cents, and 8.0 cents and also allowed the credit applicant to apply for the credit on a company-wide or individual retail location basis. A sunset date of January 1, 2026, was established in the 2006 enabling legislation. Subsequent 2006 [legislation](#) changed the sunset date to January 1, 2021.

The 2006 legislation also repealed the existing Ethanol Blended Gasoline Tax Credit effective January 1, 2009. That tax credit was equal to 2.5 cents per gallon for ethanol blend gallons sold at a retail location in excess of 60.0% of all gasoline gallons sold at that same location.

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](http://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/2021-03/2020 Retailers Fuel Gallons Annual Report.pdf](http://tax.iowa.gov/sites/default/files/2021-03/2020_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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Table 1 — Ethanol Promotion Tax Credit Schedules

Calendar Year	Retailers With More Than 200,000 Gasoline Gallons Sold in a Year			Retailers With 200,000 or Fewer Gasoline Gallons Sold in a Year		
	Biofuel Threshold Percentage			Biofuel Threshold Percentage		
CY 2009 *	6.0%	8.0%	10.0%	2.0%	4.0%	6.0%
CY 2010 *	7.0%	9.0%	11.0%	2.0%	4.0%	6.0%
CY 2011 *	8.0%	10.0%	12.0%	6.0%	8.0%	10.0%
CY 2012	9.0%	11.0%	13.0%	7.0%	9.0%	11.0%
CY 2013	10.0%	12.0%	14.0%	8.0%	10.0%	12.0%
CY 2014	11.0%	13.0%	15.0%	9.0%	11.0%	13.0%
CY 2015	13.0%	15.0%	17.0%	10.0%	12.0%	14.0%
CY 2016	15.0%	17.0%	19.0%	11.0%	13.0%	15.0%
CY 2017	17.0%	19.0%	21.0%	13.0%	15.0%	17.0%
CY 2018	19.0%	21.0%	23.0%	15.0%	17.0%	19.0%
CY 2019	21.0%	23.0%	25.0%	17.0%	19.0%	21.0%
CY 2020	21.0%	23.0%	25.0%	21.0%	23.0%	25.0%
Per Gallon Tax Credit	4.0 Cents	6.0 Cents	8.0 Cents	2.5 Cents	6.0 Cents	8.0 Cents

* The tax credit was equal to 2.5 cents, 4.5 cents, and 6.5 cents for CY 2009 and 2010, and 2.5 cents, 6.0 cents, and 8.0 cents for CY 2011.

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue review of the Ethanol Promotion Tax Credit released December 2019 and the CY 2020 Retailers Fuel Gallons Annual Report:

For CY 2020, retailers responding to the Retailers Fuel Gallons Annual Report survey conducted by the Department of Revenue reported the sale of 1,141.1 million gallons of ethanol blended fuel. The breakdown by blended fuel category was:

- E-10 = 1,064.5 million gallons
- E-15 = 61.7 million gallons
- E-85 = 14.9 million gallons

The ethanol component of the 1,141.1 million blended gallons is calculated to be 127.5 million ethanol gallons. Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 127.5 million gallons of pure ethanol sold in Iowa as a component of blended gasoline represents the utilization of 45.5 million bushels of corn, an amount that equals 2.0% of the 2020 Iowa corn crop.

For tax year 2008 through tax year 2019:

- A total of \$23.1 million in Ethanol Promotion Tax Credits was claimed by taxpayers, with 45.2% claimed by corporate taxpayers and 54.8% 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 204.
- Over the 12 tax years, \$17.9 million 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 Ethanol Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, **Table 2** and **Graph 1** provide credit redemption history and projections for the Ethanol Promotion Tax Credit¹ 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.

¹ The dollar amounts displayed in the table and graph include not only the current Ethanol Promotion Tax Credit, but also the previous version of the credit, called the Ethanol Blended Gasoline Tax Credit.

Table 2 — Ethanol Promotion Tax Credit History

* Projected

<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2007	\$ 6,605,192	FY 2017	\$ 1,464,871
FY 2008	5,923,665	FY 2018	860,171
FY 2009	7,277,511	FY 2019	677,150
FY 2010	6,255,807	FY 2020	486,291
FY 2011	4,474,534	FY 2021	554,335
FY 2012	4,667,303	*FY 2022	582,760
FY 2013	2,123,949	*FY 2023	85,161
FY 2014	2,235,001	*FY 2024	13,756
FY 2015	2,090,841	*FY 2025	0
FY 2016	1,879,612	*FY 2026	0

Graph 1 — Ethanol Promotion Tax Credit Redemptions

* Projected

