
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Ethanol Promotion Tax Credit

The Ethanol Promotion Tax Credit was sunset on January 1, 2021. The credit was available to retail dealers of gasoline that 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 whether 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 per-gallon tax credit amounts, are listed in **Figure 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 in 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 - Section [422.11N](#) — Individual Income Tax (repealed)
 - Section [422.33\(11A\)](#) — Corporate Income Tax (repealed)
- 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

More Information

Department of Revenue Contingent Liabilities Report: revenue.iowa.gov/resources/reports

Department of Revenue Tax Credit Review: revenue.iowa.gov/media/3182/download?inline

Department of Revenue Tax Credits Users' Manual:

revenue.iowa.gov/resources/reports

Department of Revenue Retailers Motor Fuel Gallons Annual Report:

tax.iowa.gov/retailers-motor-fuel-gallons-annual-report-2024

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

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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 companywide or individual retail location basis. A sunset date of January 1, 2026, was established in the 2006 enabling legislation. 2006 Iowa Acts, chapter [1175](#) (Renewable Fuels — Appropriations, Tax Credits, and Special Funding Act), 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 blended gallons sold at a retail location in excess of 60.0% of all gasoline gallons sold at that same location.

Figure 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 2024 and the CY 2024 Retailers Fuel Gallons Annual Report:

For CY 2024, retailers responding to the Retailers Fuel Gallons Annual Report survey conducted by the Department of Revenue reported the sale of 1.293 billion gallons of ethanol blended fuel. The breakdown by blended fuel category was:

- E-10 = 1,005.4 million gallons
- E-15 = 256.7 million gallons
- E-20 = 1.1 million gallons
- E-85 = 30.0 million gallons

The ethanol component of the 1.293 billion blended gallons is calculated to be 163.0 million ethanol gallons. Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 163.0 million gallons of pure ethanol sold in Iowa as a component of blended gasoline represents the utilization of 58.2 million bushels of corn, an amount that equals 2.2% of the 2024 Iowa corn crop.

For tax year 2008 through tax year 2022:

- A total of \$23.5 million in Ethanol Promotion Tax Credits was claimed by taxpayers, with 45.0% claimed by corporate taxpayers and 55.0% by individual taxpayers (includes business income passed through to the individual income tax return).
- The average number of tax credit claims in a year was 366.
- Over the 15 tax years, the average corporate income tax credit claim was \$14,660 and the average individual income tax credit claim (including pass-through claims) was \$2,714.

The Department of Revenue reports on the annual credit usage for the Ethanol Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on the report, **Figure 2** and **Figure 3** provide credit redemption history and projections for the Ethanol Promotion Tax Credit¹ on a fiscal year basis. The blue bars of **Figure 3** indicate actual credit redemptions.

Figure 2 — Ethanol Promotion Tax Credit History

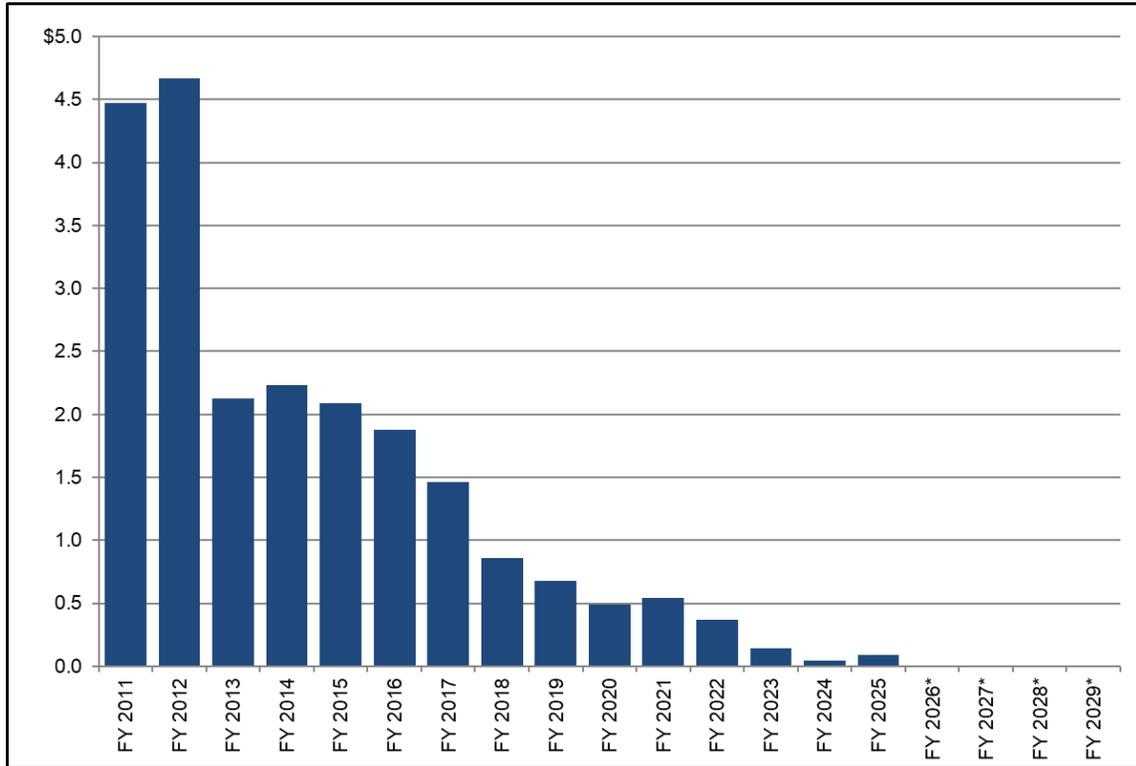
* Projected

<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2011	\$ 4,474,534	FY 2021	\$ 540,511
FY 2012	4,667,303	FY 2022	365,906
FY 2013	2,123,949	FY 2023	143,038
FY 2014	2,235,001	FY 2024	45,117
FY 2015	2,090,841	FY 2025	90,184
FY 2016	1,879,612	FY 2026*	0
FY 2017	1,464,871	FY 2027*	0
FY 2018	860,171	FY 2028*	0
FY 2019	677,150	FY 2029*	0
FY 2020	486,328	FY 2030*	0

¹ The dollar amounts displayed in **Figures 2** and **3** include not only the current Ethanol Promotion Tax Credit but also the previous version of the credit, called the Ethanol Blended Gasoline Tax Credit.

Figure 3 — Ethanol Promotion Tax Credit Redemptions

* Projected
(in Millions)



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