Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: E-85 Gasoline Promotion Tax Credit

November 5, 2026

Purpose and History

The E-85 Gasoline Promotion Tax Credit is available to gasoline retail dealers that sell blended gasoline that is classified as E-85 gasoline (defined as 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 CY 2008: $0.25
- CY 2009 and CY 2010: $0.20
- CY 2011: $0.10
- CY 2012 through CY 2027: $0.16

Beginning in CY 2026, the retail dealer is no longer 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, 2028
- 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As originally enacted in 2006, the tax credit equaled $0.25 per blended gallon for CY 2006 through CY 2008, and then was to be phased down over the next 12 calendar years and equal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 with CY 2012. The sunset date was also moved up to January 1, 2018, three years sooner than the initial legislation. In 2016, the sunset date was moved back seven years to January 1, 2025.

In 2022, the sunset date was moved back three years to January 1, 2028, and the retail dealer was

prohibited from claiming both the E-15 and E-85 promotion tax credits for the same gallons beginning in CY 2026.

Tax Credit Review, Usage, and Future Liability

The following information is based on a Department of Revenue review of the E-85 Gasoline Promotion Tax Credit released December 2024 and the CY 2025 Retailers Motor Fuel Gallons Annual Report:

- For CY 2025:
  - Iowa retailers reported the sale of 24.0 million gallons of ethanol blended gasoline qualifying as E-85, an amount equal to 1.6% of all retail gasoline gallons sold. At the $0.16 per gallon tax credit rate for CY 2025 sales, the 24.0 million E-85 gallons earned retailers a total of $3.8 million in tax credits.
  - The amount of pure ethanol calculated as a component of blended E-85 gasoline was 19.0 million gallons, an amount equal to 1.3% 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 19.0 million gallons of pure ethanol sold in Iowa as a component of E-85 blended gasoline represent the utilization of 6.8 million bushels of corn (0.3% of the 2024 Iowa corn crop).
- For tax year (TY) 2006 through TY 2022:
  - A total of $33.1 million in E-85 Gasoline Promotion Tax Credits was claimed by taxpayers, with 32.2% claimed by corporate taxpayers and 67.8% 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 247.
  - Over these 17 tax years, the average corporate income tax claim was $16,000, while the average individual income tax claim (including pass-through income) was $6,000.

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 8 of the report, **Figure 1** data provides credit redemption history and projections for the E-85 Gasoline Promotion Tax Credit on a fiscal year basis. The blue bars of **Figure 2** indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

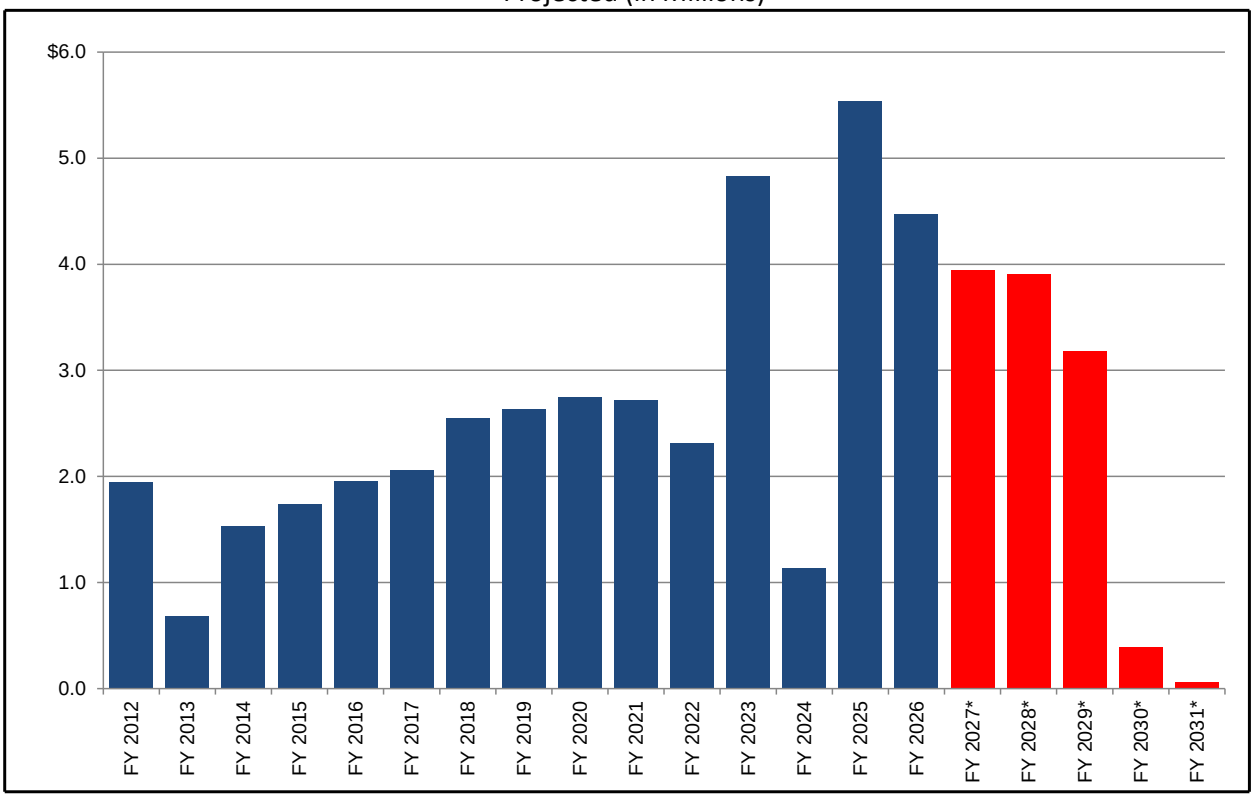
Figure 1 — E-85 Gasoline Promotion Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 1,944,411	FY 2022	$ 2,315,094
FY 2013	685,817	FY 2023	4,829,960
FY 2014	1,531,700	FY 2024	1,133,812
FY 2015	1,739,603	FY 2025	5,537,912
FY 2016	1,956,227	FY 2026	4,472,047
FY 2017	2,060,483	FY 2027*	3,943,080
FY 2018	2,552,412	FY 2028*	3,912,117
FY 2019	2,630,968	FY 2029*	3,184,227
FY 2020	2,745,764	FY 2030*	392,338
FY 2021	2,720,757	FY 2031*	66,017

Figure 2 — E-85 Gasoline Promotion Tax Credit Redemptions

*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide
- Legislative Services Agency Corporate Income Tax and Franchise Tax Guide
- Iowa Department of Revenue Tax Credit Review
- Iowa Department of Revenue 2025 Retailers Fuel Gallons Annual Report

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