
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 422.110](#) — 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: 2014

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As originally enacted in 2006, the tax credit equaled \$0.25 per blended gallon for CY 2006 through CY 2008, and then was to be phased down over the next 12 calendar years and equal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/report/Contingent-Liabilities

Department of Revenue Biofuel Retailers' Tax Credit Review:

[tax.iowa.gov/sites/files/idr/iowa's Biofuel Retailers Tax Credits Evaluation Study 2014.pdf](http://tax.iowa.gov/sites/files/idr/iowa's%20Biofuel%20Retailers%20Tax%20Credits%20Evaluation%20Study%202014.pdf)

Department of Revenue Tax Credits Users' Manual:

[tax.iowa.gov/sites/files/idr/Tax Credits Users Manual 2017 \(1\).pdf](http://tax.iowa.gov/sites/files/idr/Tax%20Credits%20Users%20Manual%202017%20(1).pdf)

Department of Revenue Retailers Motor Fuel Gallons Annual Report: tax.iowa.gov/report/Retailers-Annual-Gallons

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

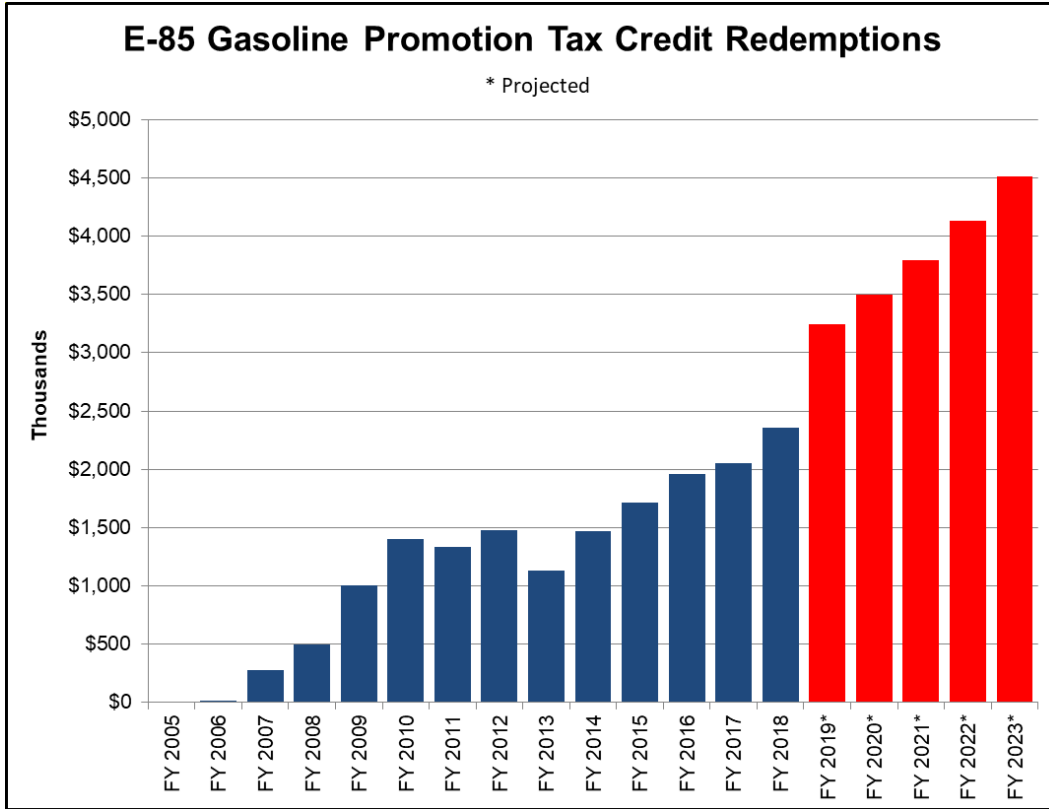
The following is based on a Department of Revenue review of the E-85 Gasoline Promotion Tax Credit released December 2014 (with updated claims data provided by the Department through Tax Year (TY) 2016), and the CY 2017 Retailers Motor Fuel Gallons Annual Report:

- For CY 2017:
 - Iowa retailers reported the sale of 20.6 million gallons of ethanol blend gasoline qualifying as E-85, an amount equal to 1.3% of all retail gasoline gallons sold.
 - The amount of pure ethanol calculated as components of blended E-85 gasoline was 16.3 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 16.3 million gallons of pure ethanol sold in Iowa as E-15 blended gasoline represents the utilization of 5.8 million bushels of corn.
- For TY 2006 through TY 2016:¹
 - A total of \$15.7 million in E-85 Gasoline Promotion Tax Credits was claimed by taxpayers, with 33.1% claimed by corporate taxpayers and 66.9% 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 102.
 - Over the 11 tax years, \$12.9 million of the \$15.7 million (81.9%) in tax credit claims was claimed by the top 20 claimants in terms of dollars claimed for each of the 11 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 2005	\$ 0	FY 2014	\$ 1,467,246
FY 2006	19,678	FY 2015	1,717,270
FY 2007	278,003	FY 2016	1,959,541
FY 2008	498,369	FY 2017	2,051,220
FY 2009	1,001,082	FY 2018	2,360,707
FY 2010	1,398,459	FY 2019*	3,244,002
FY 2011	1,337,906	FY 2020*	3,501,714
FY 2012	1,475,934	FY 2021*	3,795,520
FY 2013	1,134,775	FY 2022*	4,132,064
		FY 2023*	4,514,865

¹ The Department of Revenue indicates that the claim total for TY 2015 and TY 2016 is not complete.



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