



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

May 30, 2006

The Honorable Chester Culver
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 2754, an Act relating to renewable fuel and energy, providing incentives for infrastructure used to store and dispense renewable fuel, providing for income tax credits, providing for penalties, and providing effective and applicability dates, including retroactive applicability.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in black ink that reads "Thomas J. Vilsack".

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House





HOUSE FILE 2754

AN ACT

RELATING TO RENEWABLE FUEL AND ENERGY, PROVIDING INCENTIVES FOR INFRASTRUCTURE USED TO STORE AND DISPENSE RENEWABLE FUEL, PROVIDING FOR INCOME TAX CREDITS, PROVIDING FOR PENALTIES, AND PROVIDING EFFECTIVE AND APPLICABILITY DATES, INCLUDING RETROACTIVE APPLICABILITY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of this state that by January 1, 2020, all biofuel will replace twenty-five percent of all petroleum used in the formulation of gasoline.

Sec. 2. Section 214.1, subsections 1 through 3, Code 2005, are amended by striking the subsections and inserting in lieu thereof the following:

1. "Commercial weighing and measuring device" or "device" means the same as defined in section 215.26.

2. "Motor fuel" means the same as defined in section 214A.1.

3. "Motor fuel pump" means a pump, meter, or similar commercial weighing and measuring device used to measure and dispense motor fuel on a retail basis.

4. "Retail dealer" means the same as defined in section 214A.1.

5. "Wholesale dealer" means the same as defined in section 214A.1.

Sec. 3. Section 214A.1, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 0A. "Advertise" means to present a commercial message in any medium, including but not limited to print, radio, television, sign, display, label, tag, or articulation.

NEW SUBSECTION. 1A. "Biodiesel" means a renewable fuel comprised of mono-alkyl esters of long-chain fatty acids derived from vegetable oils or animal fats, which meets the standards provided in section 214A.2.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means a blend of biodiesel with petroleum-based diesel fuel which meets the standards, including separately the standard for its biodiesel component, provided in section 214A.2.

NEW SUBSECTION. 1C. "Biofuel" means ethanol or biodiesel.

NEW SUBSECTION. 1D. "Committee" means the renewable fuels and coproducts advisory committee established pursuant to section 159A.4.

NEW SUBSECTION. 1E. "Dealer" means a wholesale dealer or retail dealer.

NEW SUBSECTION. 1F. "Diesel fuel" means any liquid, other than gasoline, which is suitable for use as a fuel in a diesel fuel powered engine, including but not limited to a motor vehicle, equipment as defined in section 322F.1, or a train. Diesel fuel includes a liquid product prepared, advertised, offered for sale, or sold for use as, or commonly and commercially used as, motor fuel for use in an internal combustion engine and ignited by pressure without the presence of an electric spark. Diesel fuel must meet the standards provided in section 214A.2.

NEW SUBSECTION. 1G. "E-85 gasoline" means ethanol blended gasoline formulated with a minimum percentage of between seventy and eighty-five percent by volume of ethanol, if the formulation meets the standards provided in section 214A.2.

NEW SUBSECTION. 1H. "Ethanol" means ethyl alcohol that is to be blended with gasoline if it meets the standards provided in section 214A.2.

NEW SUBSECTION. 1I. "Ethanol blended gasoline" means a formulation of gasoline which is a liquid petroleum product blended with ethanol, if the formulation meets the standards provided in section 214A.2.

NEW SUBSECTION. 1J. "Gasoline" means any liquid product prepared, advertised, offered for sale or sold for use as, or commonly and commercially used as, motor fuel for use in a spark-ignition, internal combustion engine, and which meets the specifications provided in section 214A.2.

NEW SUBSECTION. 2A. "Motor fuel pump" means the same as defined in section 214.1.

NEW SUBSECTION. 5A. "Renewable fuel" means a combustible liquid derived from grain starch, oilseed, animal fat, or other biomass; or produced from a biogas source, including any nonfossilized decaying organic matter which is capable of powering machinery, including but not limited to an engine or power plant. Renewable fuel includes but is not limited to biofuel, ethanol blended gasoline, or biodiesel blended fuel meeting the standards provided in section 214A.2.

NEW SUBSECTION. 6A. "Retail motor fuel site" means a geographic location in this state where a retail dealer sells and dispenses motor fuel on a retail basis.

Sec. 4. Section 214A.1, subsection 2, Code 2005, is amended to read as follows:

2. "Motor ~~vehicle~~ fuel" means a substance or combination of substances which is intended to be or is capable of being used for the purpose ~~of propelling or running by combustion any of operating an~~ internal combustion engine, including but not limited to a motor vehicle, and is kept for sale or sold for that purpose. ~~The products commonly known as kerosene and distillate or petroleum products of lower gravity (Baume scale), when not used to propel a motor vehicle or for compounding or combining with a motor vehicle fuel, are exempt from this chapter except as provided in section 214A.2A.~~

Sec. 5. Section 214A.1, subsections 6 and 8, Code 2005, are amended by striking the subsections and inserting in lieu thereof the following:

6. "Retail dealer" means a person engaged in the business of storing and dispensing motor fuel from a motor fuel pump for sale on a retail basis, regardless of whether the motor fuel pump is located at a retail motor fuel site including a permanent or mobile location.

8. "Wholesale dealer" means a person, other than a retail dealer, who operates a place of business where motor fuel is

stored and dispensed for sale in this state, including a permanent or mobile location.

Sec. 6. Section 214A.2, subsection 1, Code 2005, is amended to read as follows:

1. The secretary department shall adopt rules pursuant to chapter 17A for carrying out this chapter. The rules may include, but are not limited to, specifications relating to motor fuel or-oxygenate-octane-enhancers, including but not limited to renewable fuel such as ethanol blended gasoline, biodiesel, biodiesel blended fuel, and motor fuel components such as an oxygenate. In the interest of uniformity, the secretary department shall adopt by reference or-otherwise other specifications relating to tests and standards for motor fuel or-oxygenate-octane-enhancers including renewable fuel and motor fuel components, established by the United States environmental protection agency and A.S.T.M. (American-society for-testing-and-materials) international, -unless-the-secretary determines-those-specifications-are-inconsistent-with-this chapter-or-are-not-appropriate-to-the-conditions-which-exist in-this-state. In adopting standards for a renewable fuel, the department shall consult with the committee.

Sec. 7. Section 214A.2, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. a. For motor fuel advertised for sale or sold as gasoline by a dealer, the motor fuel must meet requirements for that type of motor fuel and its additives established by the United States environmental protection agency including as provided under 42 U.S.C. § 7545.

b. If the motor fuel is advertised for sale or sold as ethanol blended gasoline, the motor fuel must comply with departmental standards which shall comply with specifications for ethanol blended gasoline adopted by A.S.T.M. international. For ethanol blended gasoline all of the following shall apply:

(1) Ethanol must be an agriculturally derived ethyl alcohol that meets A.S.T.M. international specification D 4806 for denatured fuel ethanol for blending with gasoline for use as automotive spark-ignition engine fuel, or a successor A.S.T.M. international specification, as established by rules adopted by the department.

(2) For ethanol blended gasoline other than E-85 gasoline, at least ten percent of the gasoline by volume must be ethanol.

(3) E-85 gasoline must be an agriculturally derived ethyl alcohol that meets A.S.T.M. international specification D 5798, described as a fuel blend for use in ground vehicles with automotive spark-ignition engines, or a successor A.S.T.M. international specification, as established by rules adopted by the department.

(4) In calculating the percentage of ethanol required for the formulation of ethanol blended gasoline, a percentage of a denaturant or contaminants permitted in the ethanol blended gasoline may be excluded as provided by rules adopted by the department.

Sec. 8. Section 214A.2, subsection 3, Code 2005, is amended by striking the subsection and inserting in lieu thereof the following:

3. a. For motor fuel advertised for sale or sold as diesel fuel by a dealer, the motor fuel must meet requirements for that type of motor fuel and its additives established by the United States environmental protection agency including as provided under 42 U.S.C. § 7545.

b. If the motor fuel is advertised for sale or sold as biodiesel or biodiesel blended fuel, the motor fuel must comply with departmental standards which shall comply with specifications adopted by A.S.T.M. international for biodiesel or biodiesel blended fuel, to every extent applicable as determined by rules adopted by the department.

(1) Biodiesel must conform to A.S.T.M. international specification D 6751 or a successor A.S.T.M. international specification as established by rules adopted by the department. The specification shall apply to biodiesel before it leaves its place of manufacture.

(2) At least one percent of biodiesel blended fuel by volume must be biodiesel.

(3) The biodiesel may be blended with diesel fuel whose sulfur, aromatic, lubricity, and cetane levels do not comply with A.S.T.M. international specification D 975 grades 1-D or 2-D, low sulfur 1-D or 2-D, or ultra-low sulfur grades 1-D or 2D, provided that the finished biodiesel blended fuel meets

A.S.T.M. international specification D 975 or a successor A.S.T.M. international specification as established by rules adopted by the department.

Sec. 9. Section 214A.2A, Code 2005, is amended to read as follows:

214A.2A KEROSENE LABELING.

1. Fuel which is sold or is kept, offered, or exposed for sale as kerosene shall be labeled as kerosene. The label shall include the word "kerosene" and a designation as either "K1" or "K2", and shall indicate that the kerosene is in compliance with the standard specification adopted by the A.S.T.M. in international specification D-3699 (1982).

2. A product commonly known as kerosene and a distillate or a petroleum product of lower gravity (Baume scale), when not used to propel a motor vehicle or for compounding or combining with a motor fuel, are exempt from this chapter except as provided in this section.

Sec. 10. Section 214A.3, Code 2005, is amended by striking the section and inserting in lieu thereof the following:

214A.3 ADVERTISING.

1. For all motor fuel, a person shall not knowingly do any of the following:

a. Advertise the sale of any motor fuel which does not meet the standards provided in section 214A.2.

b. Falsely advertise the quality or kind of any motor fuel or a component of motor fuel.

c. Add a coloring matter to the motor fuel which misleads a person who is purchasing the motor fuel about the quality of the motor fuel.

2. For a renewable fuel, all of the following applies:

a. A person shall not knowingly falsely advertise that a motor fuel is a renewable fuel or is not a renewable fuel.

b. (1) Ethanol blended gasoline sold by a dealer shall be designated E-xx where "xx" is the volume percent of ethanol in the ethanol blended gasoline. However, a person advertising E-10 gasoline may only designate it as ethanol blended gasoline. A person shall not knowingly falsely advertise ethanol blended gasoline by using an inaccurate designation in violation of this subparagraph.

(2) Biodiesel blended fuel shall be designated B-xx where "xx" is the volume percent of biodiesel in the biodiesel blended fuel. A person shall not knowingly falsely advertise biodiesel blended fuel by using an inaccurate designation in violation of this subparagraph.

Sec. 11. Section 214A.5, Code 2005, is amended to read as follows:

214A.5 SALES SLIP ON DEMAND.

Each A wholesale dealer or retail dealer ~~in this state~~ shall, when making a sale of motor vehicle fuel, give to each a purchaser upon demand a sales slip. ~~upon which must be printed the words "This motor vehicle fuel conforms to the standard of specifications required by the state of Iowa."~~ Each ~~wholesale dealer in this state shall, when making a sale of oxygenate octane enhancer, give to each purchaser upon demand a sales slip upon which must be printed the words "This oxygenate octane enhancer conforms to the standard~~ specifications ~~required by the state of Iowa."~~

Sec. 12. Section 214A.7, Code 2005, is amended to read as follows:

214A.7 DEPARTMENT INSPECTION -- SAMPLES TESTED.

The department, ~~its agents or employees,~~ shall, from time to time, make or cause to be made tests of any motor vehicle fuel or oxygenate octane enhancer which is being sold, or held or offered for sale within this state, ~~and for such purposes the inspectors have the right to.~~ An inspector may enter upon the premises of any wholesale dealer or retail dealer ~~of motor vehicle fuel or oxygenate octane enhancer within this state,~~ and to take from any container a sample of the motor vehicle fuel or oxygenate octane enhancer, not to exceed eight sixteen fluid ounces. The sample shall be sealed and appropriately marked or labeled by the inspector and delivered to the department. The department shall make, or cause to be made, complete analyses or tests of the motor vehicle fuel or oxygenate octane enhancer by the methods specified in section 214A.2.

Sec. 13. Section 214A.8, Code 2005, is amended to read as follows:

214A.8 PROHIBITION.

~~A retail-or-wholesale dealer defined-in-this-chapter shall not knowingly sell any motor vehicle fuel or oxygenate-octane enhancer biofuel in the state that fails to meet applicable standards and-specifications-set-out-in-this-chapter as provided in section 214A.2.~~

Sec. 14. Section 214A.11, Code 2005, is amended to read as follows:

214A.11 VIOLATIONS PENALTIES.

1. ~~Any~~ Except as provided in subsection 2, a person violating-the-provisions who violates a provision of this chapter shall-be is guilty of a ~~simple~~ serious misdemeanor. Each day that a continuing violation occurs shall be considered a separate offense.

2. The state may proceed against a person who violates this chapter by initiating an alternative civil enforcement action in lieu of a prosecution. The alternative civil enforcement action may be brought against the person as a contested case proceeding by the department under chapter 17A or as a civil judicial proceeding by the attorney general upon referral by the department. The department may impose, assess, and collect the civil penalty. The civil penalty shall be for at least one hundred dollars but not more than one thousand dollars for each violation. Each day that a continuing violation occurs shall be considered a separate offense.

a. Except as provided in paragraph "b", the state is precluded from prosecuting a violation pursuant to subsection 1, if the state is a party in the alternative civil enforcement action, the department has made a final decision in the contested case proceeding, or a court has entered a final judgment.

b. If a party to an alternative civil enforcement action fails to pay the civil penalty to the department within thirty days after the party has exhausted the party's administrative remedies and the party has not sought judicial review in accordance with section 17A.19, the department may order that its final decision be vacated. When the department's final decision is vacated, the state may initiate a criminal prosecution, but shall be precluded from bringing an alternative civil enforcement action. If a party to an

alternative civil enforcement action fails to pay the civil penalty within thirty days after a court has entered a final judgment, the department may request that the attorney general petition the court to vacate its final judgment. When the court's judgment has been vacated, the state may initiate a criminal prosecution, but shall be precluded from bringing an alternative civil enforcement action.

DIVISION II

RENEWABLE FUEL AND ENERGY

Sec. 15. Section 15.103, subsection 1, paragraph b, subparagraph (7), Code Supplement 2005, is amended to read as follows:

(7) Economics or alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a".

Sec. 16. Section 15E.61, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The general assembly finds the following: Fundamental changes have occurred in national and international financial markets and in the financial markets of this state. A critical shortage of seed and venture capital resources exists in the state, and such shortage is impairing the growth of commerce in the state. A need exists to increase the availability of venture equity capital for emerging, expanding, and restructuring enterprises in Iowa, including, without limitation, enterprises in the life sciences, advanced manufacturing, information technology, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and value-added agriculture areas. Such investments will create jobs for Iowans and will help to diversify the state's economic base.

Sec. 17. Section 15E.223, subsection 4, Code 2005, is amended to read as follows:

4. "Targeted industry business" means an existing or proposed business entity, including an emerging small business or qualified business which is operated for profit and which has a primary business purpose of doing business in at least one of the targeted industries designated by the department which include life sciences, software and information

technology, advanced manufacturing, value-added agriculture, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and any other industry designated as a targeted industry by the department.

Sec. 18. Section 15E.231, subsection 1, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. Development of the alternative and renewable energy sector.

Sec. 19. Section 15E.351, subsection 1, Code Supplement 2005, is amended to read as follows:

1. The department shall establish and administer a business accelerator program to provide financial assistance for the establishment and operation of a business accelerator for technology-based, value-added agricultural, information solutions, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", or advanced manufacturing start-up businesses or for a satellite of an existing business accelerator. The program shall be designed to foster the accelerated growth of new and existing businesses through the provision of technical assistance. The department shall use moneys appropriated to the department from the grow Iowa values fund pursuant to section 15G.111, subsection 1, subject to the approval of the economic development board, to provide financial assistance under this section.

Sec. 20. Section 260C.18A, subsection 2, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

Moneys deposited in the funds and disbursed to community colleges for a fiscal year shall be expended for the following purposes, provided seventy percent of the moneys shall be used on projects in the areas of advanced manufacturing, information technology and insurance, alternative and renewable energy including the alternative and renewable energy sectors listed in section 476.42, subsection 1, paragraph "a", and life sciences which include the areas of biotechnology, health care technology, and nursing care technology:

Sec. 21. Section 323A.1, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 0A. "E-85 gasoline" means the same as defined in section 214A.1.

NEW SUBSECTION. 0B. "Ethanol blended gasoline" means the same as defined in section 214A.1.

Sec. 22. Section 323A.1, subsection 4, Code 2005, is amended to read as follows:

4. "Motor fuel" means ~~gasoline-or-diesel-fuel~~ the same as motor fuel as defined in section 214A.1, which is of a type distributed for use as a fuel in self-propelled vehicles designed primarily for use on public streets, roads, and highways.

Sec. 23. Section 323A.2, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. At least forty-eight hours prior to entering into an agreement to purchase motor fuel from another source, the franchisee has requested delivery of motor fuel from the franchisor and the requested motor fuel has not been delivered and the franchisor has given the franchisee notice that the franchisor is unable to provide the requested motor fuel, or prior to entering into an agreement the franchisor has stated to the franchisee that the requested motor fuel will not be delivered. The request to the franchisor for delivery shall be for a type of fuel normally provided by the franchisor to the franchisee and for a quantity of fuel not exceeding the average amount sold by the franchisee in one week, based upon average weekly sales in the three months preceding the request, except that this provision shall not restrict a franchisee from purchasing ethanol blended gasoline from a source other than the franchisor or limit the quantity to be purchased when the franchisor does not normally supply the franchisee with ethanol blended gasoline. A franchisee may also purchase E-85 gasoline as provided in section 323A.2A.

Sec. 24. NEW SECTION. 323A.2A PURCHASE OF E-85 GASOLINE FROM OTHER SOURCE.

1. a. When on and after the effective date of this section of this Act, a franchise is entered into or renewed, the franchisor shall provide for the delivery of volumes of E-85 gasoline at times demanded by the franchisee or shall allow

the franchisee to purchase those volumes of E-85 gasoline at those times from another source.

b. If a franchise is in effect on the effective date of this section of this Act and does not have an expiration date, the franchisor shall provide for the delivery of volumes of E-85 gasoline at times demanded by the franchisee or shall allow the franchisee to purchase those volumes of E-85 gasoline at those times from another source.

2. If the franchisee sells E-85 gasoline delivered from a source other than the franchisor, the franchisee shall prominently post a sign disclosing this fact to the public on each motor fuel pump used for dispensing the E-85 gasoline. The size of the sign shall not be less than eight inches by ten inches and the letters on the sign shall be at least three inches in height.

3. A franchisee who sells E-85 gasoline delivered from a source other than the franchisor shall also fully indemnify the franchisor against any claims asserted by a user on which the claimant prevails and in which the court determines that E-85 gasoline not acquired from the franchisor was the proximate cause of the injury.

4. a. A purchase of E-85 gasoline in accordance with this section is not good cause for the termination of a franchise.

b. A term of a franchise that is inconsistent with this section is void and unenforceable.

SUBCHAPTER III

RENEWABLE FUEL INFRASTRUCTURE

Sec. 25. NEW SECTION. 455G.31 E-85 GASOLINE STORAGE AND DISPENSING INFRASTRUCTURE.

1. As used in this section, unless the context otherwise requires:

a. "E-85 gasoline" and "retail dealer" mean the same as defined in section 214A.1.

b. "Gasoline storage and dispensing infrastructure" means any storage tank located below ground or above ground and any associated equipment including but not limited to a pipe, hose, connection, fitting seal, or pump, which is used to store, measure, and dispense gasoline by a retail dealer.

2. A retail dealer may use gasoline storage and dispensing infrastructure to store and dispense E-85 gasoline, if all of the following apply:

a. For gasoline storage and dispensing infrastructure other than the dispenser, the department of natural resources under this chapter or the state fire marshal under chapter 101, division II must determine that it is compatible with E-85 gasoline.

b. For a dispenser, the manufacturer must state all of the following:

(1) That the dispenser is, in the opinion of the manufacturer, not incompatible with E-85 gasoline.

(2) The manufacturer has initiated the process of applying to an independent testing laboratory for listing of the equipment for use in dispensing E-85 gasoline.

A manufacturer's statement must include a written statement, with reference to a particular type and model of equipment for use in dispensing E-85 gasoline, signed by a responsible official on behalf of the manufacturer, provided either to the retail dealer using the gasoline storage and dispensing infrastructure or to the department of natural resources or the state fire marshal. If the written statement is provided to a retail dealer, the statement shall be retained in the files on the premises of the retail dealer and shall be available to personnel of the department of natural resources or the state fire marshal upon request.

3. This section is repealed July 1, 2009.

Sec. 26. CONFLICT WITH OTHER ACT. If the Eighty-first General Assembly enacts House File 2793 or any other Act that amends section 214.1 in a manner that conflicts with the amendments in this Act to section 214.1, the provisions of this Act shall prevail.

Sec. 27. EFFECTIVE DATE.

1. The sections of this Act amending sections 323A.1 and 323A.2, being deemed of immediate importance, take effect upon enactment.

2. Section 323A.2A, as enacted in this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION III

RENEWABLE FUEL INFRASTRUCTURE PROGRAMS

SUBCHAPTER II

RENEWABLE FUEL INFRASTRUCTURE

Sec. 28. NEW SECTION. 15G.114 DEFINITIONS.

As used in this subchapter, unless the context otherwise requires:

1. "Biodiesel", "biodiesel blended fuel", "E-85 gasoline", "gasoline", "motor fuel", "motor fuel pump", "retail dealer", and "retail motor fuel site" mean the same as defined in section 214A.1.

2. "Department" means the Iowa department of economic development created in section 15.105.

3. "Infrastructure board" means the renewable fuel infrastructure board as created in section 15G.115.

4. "Motor fuel storage and dispensing infrastructure" or "infrastructure" means a tank and motor fuel pumps necessary to keep and dispense motor fuel at a retail motor fuel site, including but not limited to all associated equipment, dispensers, pumps, pipes, hoses, tubes, lines, fittings, valves, filters, seals, and covers.

5. "Terminal" means a storage and distribution facility for motor fuel or a blend stock such as ethanol or biodiesel that is stored on-site or off-site in bulk and that is supplied to a motor vehicle, pipeline, or a marine vessel and from which storage and distribution facility the motor fuel or blend stock may be removed at a rack. "Terminal" does not include any of the following:

a. A retail motor fuel site.

b. A facility at which motor fuel or special fuel, or blend stocks are used in the manufacture of products other than motor fuel and from which no motor fuel or special fuel is removed.

6. "Terminal operator" means a person who has responsibility for, or physical control over, the operation of a terminal, including by ownership, contractual agreement, or appointment.

7. "Underground storage tank fund board" means the Iowa comprehensive petroleum underground storage tank fund board established pursuant to section 455G.4.

Sec. 29. NEW SECTION. 15G.115 RENEWABLE FUEL INFRASTRUCTURE BOARD.

A renewable fuel infrastructure board is established within the department.

1. The department shall provide the infrastructure board with necessary facilities, items, and clerical support. The department shall perform administrative functions necessary for the management of the infrastructure board, and the renewable fuel infrastructure programs as provided in sections 15G.116 and 15G.117, all under the direction of the infrastructure board.

2. The infrastructure board shall be composed of eleven members who shall be appointed by the governor as follows:

a. One person representing insurers who is knowledgeable about issues relating to underground storage tanks.

b. One person representing the petroleum industry who is knowledgeable about issues relating to petroleum refining, terminal operations, and petroleum or motor fuel distribution.

c. Nine persons based on nominations made by the titular heads of all of the following:

(1) The agribusiness association of Iowa.

(2) The Iowa corn growers association.

(3) The Iowa farm bureau federation.

(4) The Iowa motor truck association.

(5) The Iowa soybean association.

(6) The petroleum marketers and convenience stores of Iowa.

(7) The Iowa petroleum equipment contractors association.

(8) The Iowa renewable fuels association.

(9) The Iowa grocery industry association.

3. Appointments of voting members to the infrastructure board are subject to the requirements of sections 69.16 and 69.16A. In addition, the appointments shall be geographically balanced. The governor's appointees shall be confirmed by the senate, pursuant to section 2.32.

4. The members of the infrastructure board shall serve five-year terms beginning and ending as provided in section 69.19. However, the governor shall appoint initial members to serve for less than five years to ensure members serve staggered terms. A member is eligible for reappointment. A vacancy on the board shall be filled for the unexpired portion of the regular term in the same manner as regular appointments are made.

5. The infrastructure board shall elect a chairperson from among its members each year on a rotating basis as provided by the infrastructure board. The infrastructure board shall meet on a regular basis and at the call of the chairperson or upon the written request to the chairperson of six or more members.

6. The infrastructure board shall meet with three or more members of the underground storage tank fund board who shall represent the underground storage tank fund board. The representatives shall be available to advise the infrastructure board when the infrastructure board makes decisions regarding the awarding of financial incentives to a person under a renewable fuel infrastructure program provided in section 15G.116 or 15G.117.

7. Members of the infrastructure board are not entitled to receive compensation but shall receive reimbursement of expenses from the department as provided in section 7E.6.

8. Six members of the infrastructure board constitute a quorum and the affirmative vote of a majority of the members present is necessary for any substantive action to be taken by the infrastructure board. The majority shall not include any member who has a conflict of interest and a statement by a member that the member has a conflict of interest is conclusive for this purpose. A vacancy in the membership does not impair the duties of the infrastructure board.

Sec. 30. NEW SECTION. 15G.116 RENEWABLE FUEL INFRASTRUCTURE PROGRAM FOR RETAIL MOTOR FUEL SITES.

A renewable fuel infrastructure program is established in the department under the direction of the renewable fuel infrastructure board created pursuant to section 15G.115.

1. The purpose of the program is to improve a retail motor fuel site by installing, replacing, or converting motor fuel storage and dispensing infrastructure. The infrastructure must be designed and shall be used exclusively to store and dispense renewable fuel which is E-85 gasoline, biodiesel, or biodiesel blended fuel on the premises of retail motor fuel sites operated by retail dealers.

2. A person may apply to the department to receive financial incentives on a cost-share basis. The department shall forward the applications to the underground storage tank fund board as required by that board for evaluation and

recommendation. The underground storage tank fund board may rank the applications with comments and shall forward them to the infrastructure board for approval or disapproval. The department shall award financial incentives on a cost-share basis to an eligible person whose application was approved by the infrastructure board.

3. To all extent practical, the program shall be administered in conjunction with the programs provided in section 15.401.

4. The infrastructure board shall approve cost-share agreements executed by the department and persons that the infrastructure board determines are eligible as provided in this section, according to terms and conditions required by the infrastructure board. The infrastructure board shall determine the amount of the financial incentives to be awarded to a person participating in the program. In order to be eligible to participate in the program all of the following must apply:

a. The person must be an owner or operator of the retail motor fuel site.

b. The person must apply to the department in a manner and according to procedures required by the infrastructure board. The application must contain all information required by the infrastructure board and shall at least include all of the following:

(1) The name of the person and the address of the retail motor fuel site to be improved.

(2) A detailed description of the infrastructure to be installed, replaced, or converted, including but not limited to the model number of each installed, replaced, or converted motor fuel storage tank if available.

(3) A statement describing how the retail motor fuel site is to be improved, the total estimated cost of the planned improvement, and the date when the infrastructure will be first used to store and dispense the renewable fuel.

(4) A statement certifying that the infrastructure shall not be used to store or dispense motor fuel other than E-85 gasoline, biodiesel, or biodiesel blended fuel, unless granted a waiver by the infrastructure board pursuant to this section.

5. A retail motor fuel site which is improved using financial incentives must comply with federal and state standards governing new or upgraded motor fuel storage tanks used to store and dispense the renewable fuel. A site classified as a no further action site pursuant to a certificate issued by the department of natural resources under section 455B.474 shall retain its classification following modifications necessary to store and dispense the renewable fuel and the owner or operator shall not be required to perform a new site assessment unless a new release occurs or if a previously unknown or unforeseen risk condition should arise.

6. The infrastructure board shall not approve a cost-share agreement which awards financial incentives to install, replace, or convert infrastructure associated with more than one motor fuel storage tank located at the same retail motor fuel site.

7. An award of financial incentives to a participating person shall be in the form of a grant.

In order to participate in the program an eligible person must execute a cost-share agreement with the department as approved by the infrastructure board in which the person contributes a percentage of the total costs related to improving the retail motor fuel site. The financial incentives awarded to the participating person shall not exceed fifty percent of the actual cost of making the improvement or thirty thousand dollars, whichever is less. The infrastructure board may approve multiple awards to make improvements to a retail motor fuel site so long as the total amount of the awards does not exceed the limitations provided in this paragraph.

8. A participating person shall not use the infrastructure to store and dispense motor fuel other than the type of renewable fuel approved by the board in the cost-share agreement, unless one of the following applies:

a. The participating person is granted a waiver by the infrastructure board. The participating person shall store or dispense the motor fuel according to the terms and conditions of the waiver.

b. The renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759 is immediately repaid the total amount of moneys awarded to the participating person together with a monetary penalty equal to twenty-five percent of that awarded amount. The amount shall be deposited in the renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759.

9. A participating person who acts in violation of an agreement executed with the department pursuant to this section is subject to a civil penalty of not more than one thousand dollars a day for each day of the violation. The civil penalty shall be deposited into the general fund of the state.

Sec. 31. NEW SECTION. 15G.117 RENEWABLE FUEL INFRASTRUCTURE PROGRAM FOR BIODIESEL TERMINAL FACILITIES.

The department, under the direction of the renewable fuel infrastructure board created in section 15G.115 shall establish and administer a renewable fuel infrastructure program for terminal facilities that store and dispense biodiesel or biodiesel blended fuel. The infrastructure must be designed and shall be used exclusively to store and distribute biodiesel or biodiesel blended fuel. The department as directed by the infrastructure board shall provide a cost-share program for financial incentives.

1. A person may apply to the department to receive financial incentives on a cost-share basis. The department shall forward the applications to the underground storage tank fund board as required by that board for evaluation and recommendation. The underground storage tank fund board may rank the applications with comments and shall forward them to the infrastructure board for approval or disapproval. The department shall award financial incentives on a cost-share basis to an eligible person whose application was approved by the infrastructure board.

2. To all extent practical, the program shall be administered in conjunction with the programs provided in section 15.401.

3. The department shall award financial incentives to a terminal operator participating in the program as directed by the infrastructure board. In order to be eligible to

participate in the program, the terminal operator must apply to the department in a manner and according to procedures required by the infrastructure board. The application must contain information required by the infrastructure board and shall at least include all of the following:

a. The name of the terminal operator and the address of the terminal to be improved.

b. A detailed description of the infrastructure to be installed, replaced, or converted.

c. A statement describing how the terminal is to be improved, the total estimated cost of the planned improvement, and the date when the infrastructure will be first used to store and distribute biodiesel or biodiesel blended fuel.

d. A statement certifying that the infrastructure shall not be used to store or dispense motor fuel other than biodiesel or biodiesel blended fuel, unless granted a waiver by the infrastructure board pursuant to this section.

4. An award of financial incentives to a participating person shall be in the form of a grant. In order to participate in the program an eligible person must execute a cost-share agreement with the department as approved by the infrastructure board in which the person contributes a percentage of the total costs related to improving the terminal. The financial incentives awarded to the participating person shall not exceed fifty percent of the actual cost of making the improvements or fifty thousand dollars, whichever is less. The infrastructure board may approve multiple awards to make improvements to a terminal so long as the total amount of the awards does not exceed the limitations provided in this subsection.

5. A participating terminal operator shall not use the infrastructure to store or dispense motor fuel other than biodiesel or biodiesel blended fuel, unless one of the following applies:

a. The participating terminal operator is granted a waiver by the infrastructure board. The participating terminal operator shall store or dispense the motor fuel according to the terms and conditions of the waiver.

b. The renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759 is immediately repaid the

total amount of moneys awarded to the participating terminal operator together with a monetary penalty equal to twenty-five percent of that awarded amount. The amount shall be deposited in the renewable fuel infrastructure fund if created in 2006 Iowa Acts, House File 2759.

c. A participating terminal operator who acts in violation of an agreement executed with the department pursuant to this section is subject to a civil penalty of not more than one thousand dollars a day for each day of the violation. The civil penalty shall be deposited into the general fund of the state.

Sec. 32. NEW SECTION. 15G.120 REPORT.

1. By January 15 of each year, the renewable fuel infrastructure board shall approve that part of the department's report required to be submitted to the governor and general assembly by the department regarding projects supported from the grow Iowa values fund as provided in section 15.104 which provides information regarding expenditures to support renewable fuel infrastructure programs as provided in sections 15G.116 and 15G.117. That part of the report approved by the board shall include the same information as required for business finance projects funded during the previous fiscal year.

2. This section is repealed on July 1, 2012.

Sec. 33. DEPARTMENTAL STUDY -- E-85 GASOLINE AVAILABILITY. The state department of transportation and the department of natural resources shall cooperate to conduct a study to provide methods to inform persons of the availability of E-85 gasoline offered for sale and distribution by retail dealers of motor fuel in this state, including the location of each retail motor fuel site where a retail dealer offers E-85 gasoline for sale and distribution. The department's study shall include methods for identifying those locations for the convenience of the traveling public including but not limited to the identification of those locations on roadside signs and on the official Iowa map published pursuant to section 307.14. The departments shall jointly prepare and deliver a report to the governor and general assembly, which includes findings and recommendations, not later than January 10, 2007.

Sec. 34. EMERGENCY RULES. The Iowa department of economic development and the Iowa comprehensive petroleum underground storage tank fund board shall adopt emergency rules under section 17A.4, subsection 2, and section 17A.5, subsection 2, paragraph "b", to implement the provisions of this division and the rules shall be effective immediately upon filing, but not later than June 1, 2006. Any rules adopted in accordance with this section shall also be published as a notice of intended action as provided in section 17A.4, subsection 1.

DIVISION IV

RENEWABLE FUEL INCOME TAX CREDIT PROVISIONS

Sec. 35. Section 422.11C, subsection 1, paragraphs a through g, Code 2005, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. "E-85 gasoline", "ethanol blended gasoline", "gasoline", "retail dealer", and "retail motor fuel site" mean the same as defined in section 214A.1.

b. "Motor fuel pump" means the same as defined in section 214.1.

c. "Sell" means to sell on a retail basis.

d. "Tax credit" means the designated ethanol blended gasoline tax credit as provided in this section.

Sec. 36. Section 422.11C, subsection 2, paragraph b, Code 2005, is amended to read as follows:

b. The taxpayer operates at least one ~~service-station~~ retail motor fuel site at which more than sixty percent of the total gallons of gasoline sold and dispensed through one or more ~~metered motor fuel~~ pumps by the taxpayer in the tax year is ethanol blended gasoline.

Sec. 37. Section 422.11C, subsection 3, Code 2005, is amended to read as follows:

3. The tax credit shall be calculated separately for each ~~service-station~~ retail motor fuel site operated by the taxpayer. The amount of the tax credit for each eligible ~~service-station~~ retail motor fuel site is two and one-half cents multiplied by the total number of gallons of ethanol blended gasoline sold and dispensed through all ~~metered motor fuel~~ pumps located at that ~~service-station~~ retail motor fuel site during the tax year in excess of sixty percent of all gasoline sold and dispensed through ~~metered motor fuel~~ pumps

at that ~~service-station~~ retail motor fuel site during the tax year.

3A. A retail dealer is eligible to claim a designated ethanol blended gasoline tax credit as provided in this section even though the retail dealer claims an E-85 gasoline promotion tax credit pursuant to section 422.110 for the same tax year for the same ethanol gallonage.

Sec. 38. Section 422.11C, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6. This section is repealed on January 1, 2009.

Sec. 39. NEW SECTION. 422.11N ETHANOL PROMOTION TAX CREDIT.

1. As used in this section, unless the context otherwise requires:

a. "E-85 gasoline", "ethanol", "ethanol blended gasoline", "gasoline", and "retail dealer" mean the same as defined in section 214A.1.

b. "Flexible fuel vehicle" means the same as defined in section 452A.2.

c. "Motor fuel" means the same as defined in section 452A.2.

d. "Motor fuel pump" means the same as defined in section 214.1.

e. "Sell" means to sell on a retail basis.

f. "Tax credit" means the ethanol promotion tax credit as provided in this section.

2. The special terms provided in section 452A.31 shall also apply to this section.

3. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by an ethanol promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this section. In order to be eligible, all of the following must apply:

a. The taxpayer is a retail dealer who sells and dispenses ethanol blended gasoline through a motor fuel pump in the tax year in which the tax credit is claimed.

b. The retail dealer complies with requirements of the department to administer this section.

4. In order to receive the tax credit, the retail dealer must calculate all of the following:

a. The retail dealer's biofuel distribution percentage which is the sum of the retail dealer's total ethanol gallonage plus the retail dealer's total biodiesel gallonage expressed as a percentage of the retail dealer's total gasoline gallonage, in the retail dealer's applicable determination period.

b. The retail dealer's biofuel threshold percentage is as follows:

(1) For a retail dealer who sells and dispenses more than two hundred thousand gallons of motor fuel in an applicable determination period, the retail dealer's biofuel threshold percentage is as follows:

(a) Ten percent for the determination period beginning on January 1, 2009, and ending December 31, 2009.

(b) Eleven percent for the determination period beginning on January 1, 2010, and ending December 31, 2010.

(c) Twelve percent for the determination period beginning on January 1, 2011, and ending December 31, 2011.

(d) Thirteen percent for the determination period beginning on January 1, 2012, and ending December 31, 2012.

(e) Fourteen percent for the determination period beginning on January 1, 2013, and ending December 31, 2013.

(f) Fifteen percent for the determination period beginning on January 1, 2014, and ending December 31, 2014.

(g) Seventeen percent for the determination period beginning on January 1, 2015, and ending December 31, 2015.

(h) Nineteen percent for the determination period beginning on January 1, 2016, and ending December 31, 2016.

(i) Twenty-one percent for the determination period beginning on January 1, 2017, and ending December 31, 2017.

(j) Twenty-three percent for the determination period beginning on January 1, 2018, and ending December 31, 2018.

(k) Twenty-five percent for each determination period beginning on and after January 1, 2019.

(2) For a retail dealer who sells and dispenses two hundred thousand gallons of motor fuel or less in an applicable determination period, the biofuel threshold percentages shall be:

(a) Six percent for the determination period beginning on January 1, 2009, and ending December 31, 2009.

(b) Six percent for the determination period beginning on January 1, 2010, and ending December 31, 2010.

(c) Ten percent for the determination period beginning on January 1, 2011, and ending December 31, 2011.

(d) Eleven percent for the determination period beginning on January 1, 2012, and ending December 31, 2012.

(e) Twelve percent for the determination period beginning on January 1, 2013, and ending December 31, 2013.

(f) Thirteen percent for the determination period beginning on January 1, 2014, and ending December 31, 2014.

(g) Fourteen percent for the determination period beginning on January 1, 2015, and ending December 31, 2015.

(h) Fifteen percent for the determination period beginning on January 1, 2016, and ending December 31, 2016.

(i) Seventeen percent for the determination period beginning on January 1, 2017, and ending December 31, 2017.

(j) Nineteen percent for the determination period beginning on January 1, 2018, and ending December 31, 2018.

(k) Twenty-one percent for the determination period beginning on January 1, 2019, and ending December 31, 2019.

(l) Twenty-three percent for the determination period beginning on January 1, 2020, and ending December 31, 2020.

(m) Twenty-five percent for each determination period beginning on and after January 1, 2021.

(3) Notwithstanding paragraph "a", the governor may adjust a biofuel threshold percentage for a determination period if the governor finds that exigent circumstances exist. Exigent circumstances exist due to potential substantial economic injury to the state's economy. Exigent circumstances also exist if it is probable that a substantial number of retail dealers cannot comply with a biofuel threshold percentage during a determination period due to any of the following:

(a) Less than the target number of flexible fuel vehicles are registered under chapter 321. The target numbers of flexible fuel vehicles are as follows:

(i) On January 1, 2011, two hundred fifty thousand.

(ii) On January 1, 2014, three hundred fifty thousand.

(iii) On January 1, 2017, four hundred fifty thousand.

(iv) On January 1, 2019, five hundred fifty thousand.

(b) A shortage in the biofuel feedstock resulting in a dramatic decrease in biofuel inventories.

If the governor finds that exigent circumstances exist, the governor may reduce the applicable biofuel threshold percentage by replacing it with an adjusted biofuel threshold percentage. The governor shall consult with the department of revenue and the renewable fuels and coproducts advisory committee established pursuant to section 159A.4. The governor shall make the adjustment by giving notice of intent to issue a proclamation which shall take effect not earlier than thirty-five days after publication in the Iowa administrative bulletin of a notice to issue the proclamation. The governor shall provide a period of notice and comment in the same manner as provided in section 17A.4, subsection 1. The adjusted biofuel threshold percentage shall be effective for the following determination period.

c. The retail dealer's biofuel threshold percentage disparity which is a positive percentage difference obtained by taking the minuend which is the retail dealer's biofuel distribution percentage and subtracting from it the subtrahend which is the retail dealer's biofuel threshold percentage, in the retail dealer's applicable determination period.

d. The tax credit shall be calculated separately for each retail motor fuel site or other permanent or temporary location from which the retail dealer sells and dispenses ethanol blended gasoline.

5. a. For a retail dealer whose tax year is the same as a determination period beginning on January 1 and ending on December 31, the retail dealer's tax credit is calculated by multiplying the retail dealer's total ethanol gallonage by a tax credit rate, which may be adjusted based on the retail dealer's biofuel threshold percentage disparity. The tax credit rate is as follows:

(1) For any tax year in which the retail dealer has attained a biofuel threshold percentage for the determination period, the tax credit rate is six and one-half cents.

(2) For any tax year in which the retail dealer has not attained a biofuel threshold percentage for the determination

period, the tax credit rate shall be adjusted based on the retail dealer's biofuel threshold percentage disparity. The amount of the adjusted tax credit rate is as follows:

(a) If the retail dealer's biofuel threshold percentage disparity equals two percent or less, the tax credit rate is four and one-half cents.

(b) If the retail dealer's biofuel threshold percentage disparity equals more than two percent but not more than four percent, the tax credit rate is two and one-half cents.

(c) A retail dealer is not eligible for a tax credit if the retail dealer's biofuel threshold percentage disparity equals more than four percent.

b. For a retail dealer whose tax year is not the same as a determination period beginning on January 1 and ending on December 31, the retail dealer shall calculate the tax credit twice, as follows:

(1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in paragraph "a".

(2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in paragraph "a".

6. A retail dealer is eligible to claim an ethanol promotion tax credit as provided in this section even though the retail dealer claims an E-85 gasoline promotion tax credit pursuant to section 422.110 for the same tax year and for the same ethanol gallonage.

7. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

8. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be

based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

9. This section is repealed on January 1, 2026.

Sec. 40. NEW SECTION. 422.110 E-85 GASOLINE PROMOTION TAX CREDIT.

1. As used in this section, unless the context otherwise requires:

a. "E-85 gasoline", "ethanol", "gasoline", and "retail dealer" mean the same as defined in section 214A.1.

b. "Motor fuel pump" means the same as defined in section 214.1.

c. "Sell" means to sell on a retail basis.

d. "Tax credit" means the E-85 gasoline promotion tax credit as provided in this section.

2. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by an E-85 gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection. In order to be eligible, all of the following must apply:

a. The taxpayer is a retail dealer who sells and dispenses E-85 gasoline through a motor fuel pump in the tax year in which the tax credit is claimed.

b. The retail dealer complies with requirements of the department to administer this section.

3. For a retail dealer whose tax year is on a calendar year basis, the retail dealer shall calculate the amount of the tax credit by multiplying a designated rate by the retail dealer's total E-85 gasoline gallonage as provided in sections 452A.31 and 452A.32. The designated rate is as follows:

a. For calendar year 2006, calendar year 2007, and calendar year 2008, twenty-five cents.

b. For calendar year 2009 and calendar year 2010, twenty cents.

c. For calendar year 2011, ten cents.

d. For calendar year 2012, nine cents.

e. For calendar year 2013, eight cents.

f. For calendar year 2014, seven cents.

- g. For calendar year 2015, six cents.
- h. For calendar year 2016, five cents.
- i. For calendar year 2017, four cents.
- j. For calendar year 2018, three cents.
- k. For calendar year 2019, two cents.
- l. For calendar year 2020, one cent.

4. For a retail dealer whose tax year is not on a calendar year basis, the retail dealer shall calculate the tax credit twice, as follows:

a. For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in subsection 3.

b. For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in subsection 3.

5. A retail dealer is eligible to claim an E-85 gasoline promotion tax credit as provided in this section even though the retail dealer claims an ethanol promotion tax credit pursuant to section 422.11N for the same tax year for the same ethanol gallonage.

6. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

7. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

8. This section is repealed on January 1, 2021.

Sec. 41. NEW SECTION. 422.11P BIODIESEL BLENDED FUEL TAX CREDIT.

1. As used in this section, unless the context otherwise requires:

a. "Biodiesel blended fuel", "diesel fuel", and "retail dealer" mean the same as defined in section 214A.1.

b. "Motor fuel pump" means the same as defined in section 214.1.

c. "Sell" means to sell on a retail basis.

d. "Tax credit" means a biodiesel blended fuel tax credit as provided in this section.

2. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by the amount of the biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim a tax credit under this subsection.

a. In order to be eligible, all of the following must apply:

(1) The taxpayer is a retail dealer who sells and dispenses biodiesel blended fuel through a motor fuel pump in the tax year in which the tax credit is claimed.

(2) Of the total gallons of diesel fuel that the retail dealer sells and dispenses through all motor fuel pumps during the retail dealer's tax year, fifty percent or more is biodiesel blended fuel which meets the requirements of this section.

(3) The retail dealer complies with requirements of the department established to administer this section.

b. The tax credit shall apply to biodiesel blended fuel formulated with a minimum percentage of two percent by volume of biodiesel, if the formulation meets the standards provided in section 214A.2.

3. The amount of the tax credit is three cents multiplied by the total number of gallons of biodiesel blended fuel sold and dispensed by the retail dealer through all motor fuel pumps operated by the retail dealer during the retail dealer's tax year.

4. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

5. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

6. This section is repealed January 1, 2012.

Sec. 42. Section 422.33, subsection 11, paragraph a, subparagraph (1), Code Supplement 2005, is amended to read as follows:

(1) ~~"Ethanol"~~ "E-85 gasoline", "ethanol blended gasoline", "gasoline", ~~"metered-pump"~~, "motor fuel pump", "retail dealer", "retail motor fuel site", and ~~"sell"~~ ~~and~~ ~~"service station"~~ mean the same as defined in section 422.11C.

Sec. 43. Section 422.33, subsection 11, paragraph b, subparagraph (2), Code Supplement 2005, is amended to read as follows:

(2) The taxpayer operates at least one ~~service-station~~ retail motor fuel site at which more than sixty percent of the total gallons of gasoline sold and dispensed through one or more ~~metered~~ motor fuel pumps by the taxpayer is ethanol blended gasoline.

Sec. 44. Section 422.33, subsection 11, paragraph c, Code Supplement 2005, is amended to read as follows:

c. (1) The tax credit shall be calculated separately for each ~~service-station~~ retail motor fuel site operated by the taxpayer.

(2) The amount of the tax credit for each eligible ~~service station~~ retail motor fuel site is two and one-half cents multiplied by the total number of gallons of ethanol blended gasoline sold and dispensed through all ~~metered~~ motor fuel pumps located at that ~~service-station~~ retail motor fuel site during the tax year in excess of sixty percent of all gasoline sold and dispensed through ~~metered~~ motor fuel pumps at that ~~service-station~~ retail motor fuel site during the tax year.

Sec. 45. Section 422.33, subsection 11, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. This subsection is repealed on January 1, 2009.

Sec. 46. Section 422.33, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 11A. The taxes imposed under this division shall be reduced by an ethanol promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection.

a. The taxpayer shall claim the tax credit in the same manner as provided in section 422.11N. The taxpayer may claim the tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the ethanol promotion tax credit pursuant to section 422.11N.

b. Any ethanol promotion tax credit which is in excess of the taxpayer's tax liability shall be refunded or may be shown on the taxpayer's final, completed return credited to the tax liability for the following tax year in the same manner as provided in section 422.11N.

c. This subsection is repealed on January 1, 2026.

NEW SUBSECTION. 11B. The taxes imposed under this division shall be reduced by an E-85 gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection.

a. The taxpayer shall claim the tax credit in the same manner as provided in section 422.110. The taxpayer may claim the tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the E-85 gasoline promotion tax credit pursuant to section 422.110.

b. Any E-85 gasoline promotion tax credit which is in excess of the taxpayer's tax liability shall be refunded or may be shown on the taxpayer's final, completed return credited to the tax liability for the following tax year in the same manner as provided in section 422.110.

c. This subsection is repealed on January 1, 2021.

Sec. 47. Section 422.33, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 11C. The taxes imposed under this division shall be reduced by a biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection.

a. The taxpayer may claim the biodiesel blended fuel tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the biodiesel blended fuel tax credit pursuant to section 422.11P.

b. Any biodiesel blended fuel tax credit which is in excess of the taxpayer's tax liability shall be refunded or may be shown on the taxpayer's final, completed return credited to the tax liability for the following tax year in the same manner as provided in section 422.11P.

c. This subsection is repealed on January 1, 2012.

Sec. 48. RETROACTIVE APPLICABILITY DATE. Sections 422.110 and 422.11P, as enacted in this Act, and section 422.33, subsections 11B, and 11C, as enacted in this Act, apply retroactively to tax years beginning on or after January 1, 2006.

Sec. 49. TAX CREDIT AVAILABILITY.

1. For a retail dealer who may claim a designated ethanol blended gasoline tax credit under section 422.11C or 422.33, subsection 11, as amended by this Act, in calendar year 2008 and whose tax year ends prior to December 31, 2008, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11C or 422.33, subsection 11, as amended by this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2008. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2008.

2. For a retail dealer who may claim an ethanol promotion tax credit under section 422.11N or 422.33, subsection 11A, as enacted in this Act, in calendar year 2025 and whose tax year ends prior to December 31, 2025, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11N or 422.33, subsection 11A, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2025. For that

remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2025.

3. For a retail dealer who may claim an E-85 gasoline promotion tax credit under section 422.110 or 422.33, subsection 11B, as enacted in this Act, in calendar year 2020 and whose tax year ends prior to December 31, 2020, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.110 or 422.33, subsection 11B, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2020. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2020.

4. For a retail dealer who may claim a biodiesel blended fuel tax credit under section 422.11P or 422.33, subsection 11C, as enacted in this Act, in calendar year 2006 and whose tax year ends before December 31, 2006, the retail dealer may claim the tax credit during the period beginning January 1, 2006, and ending on the last day of the retail dealer's tax year, if of the total gallons of diesel fuel that the retail dealer sells and dispenses through all motor fuel pumps during that period, fifty percent or more is biodiesel blended fuel which meets the requirements of section 422.11P or 422.33, subsection 11C, as enacted in this Act.

5. For a retail dealer who may claim a biodiesel blended fuel tax credit under section 422.11P or 422.33, subsection 11C, as enacted in this Act, in calendar year 2011 and whose tax year ends prior to December 31, 2011, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11P or 422.33, subsection 11C, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, 2011. For that remaining period, the tax credit shall be calculated in the

same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, 2011.

DIVISION V

PETROLEUM REPLACEMENT INITIATIVE

Sec. 50. Section 452A.2, subsection 2, Code Supplement 2005, is amended by striking the subsection and inserting in lieu thereof the following:

2. "Biofuel" means the same as defined in section 214A.1.

Sec. 51. Section 452A.2, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. "Biodiesel" means the same as defined in section 214A.1.

NEW SUBSECTION. 1B. "Biodiesel blended fuel" means the same as defined in section 214A.1.

NEW SUBSECTION. 9A. "E-85 gasoline" means the same as defined in section 214A.1.

NEW SUBSECTION. 10A. "Ethanol" means the same as defined in section 214A.1.

NEW SUBSECTION. 13A. "Flexible fuel vehicle" means a motor vehicle as defined in section 321M.1 which is powered by an engine capable of operating using E-85 gasoline.

NEW SUBSECTION. 13B. "Gasoline" means the same as defined in section 214A.1.

NEW SUBSECTION. 19A. "Motor fuel pump" means the same as defined in section 214.1.

NEW SUBSECTION. 20A. "Nonethanol blended gasoline" means gasoline other than ethanol blended gasoline.

NEW SUBSECTION. 24A. "Retail dealer" means the same as defined in section 214A.1.

Sec. 52. Section 452A.2, subsection 11, Code Supplement 2005, is amended to read as follows:

11. "Ethanol blended gasoline" means ~~motor-fuel-containing at-least-ten-percent-alcohol-distilled-from-cereal-grains~~ the same as defined in section 214A.1.

Sec. 53. Section 452A.2, subsection 19, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

"Motor fuel" means ~~both~~ motor fuel as defined in section 214A.1 and includes all of the following:

Sec. 54. NEW SECTION. 452A.31 SPECIAL TERMS.

For purposes of this division, all of the following shall apply:

1. A determination period is any twelve-month period beginning on January 1 and ending on December 31.

2. a. A retail dealer's total gasoline gallonage is the total number of gallons of gasoline, which the retail dealer sells and dispenses from all motor fuel pumps operated by the retail dealer in this state during a twelve-month period beginning January 1 and ending December 31. The retail dealer's total gasoline gallonage is divided into the following classifications:

(1) The total ethanol blended gasoline gallonage which is the retail dealer's total number of gallons of ethanol blended gasoline and which includes all of the following subclassifications:

(a) The total E-xx gasoline gallonage which is the total number of gallons of ethanol blended gasoline other than E-85 gasoline.

(b) The total E-85 gasoline gallonage which is the total number of gallons of E-85 gasoline.

(2) The total nonblended gasoline gallonage which is the total number of gallons of nonblended ethanol gasoline.

b. A retail dealer's total ethanol gallonage is the total number of gallons of ethanol which is a component of ethanol blended gasoline which the retail dealer sells and dispenses from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

3. a. A retail dealer's total diesel fuel gallonage is the total number of gallons of diesel fuel, which the retail dealer sells and dispenses from all motor fuel pumps operated by the retail dealer in this state during a twelve-month period beginning January 1 and ending December 31. The retail dealer's total diesel fuel gallonage is divided into the following classifications:

(1) The total biodiesel blended fuel gallonage which is the retail dealer's total number of gallons of biodiesel blended fuel.

(2) The total nonblended diesel fuel gallonage which is the total number of gallons of diesel fuel which is not biodiesel or biodiesel blended fuel.

b. A retail dealer's total biodiesel gallonage is the total number of gallons of biodiesel which may or may not be a component of biodiesel blended fuel, and which the retail dealer sells and dispenses from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

4. a. The aggregate gasoline gallonage is the total number of gallons of gasoline, which all retail dealers sell and dispense from all motor fuel pumps operated by the retail dealers in this state during a twelve-month period beginning January 1 and ending December 31. The aggregate gasoline gallonage is divided into the following classifications:

(1) The aggregate ethanol blended gasoline gallonage which is the aggregate total number of gallons of ethanol blended gasoline and which includes all of the following subclassifications:

(a) The aggregate E-xx gasoline gallonage which is the aggregate total number of gallons of ethanol blended gasoline other than E-85 gasoline.

(b) The aggregate E-85 gasoline gallonage which is the aggregate total number of gallons of E-85 gasoline.

(2) The aggregate nonblended gasoline gallonage, which is the aggregate number of gallons of nonblended ethanol gasoline.

b. The aggregate ethanol gallonage is the total number of gallons of ethanol which is a component of ethanol blended gasoline which all retail dealers sell and dispense from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

5. a. The aggregate diesel fuel gallonage is the total number of gallons of diesel fuel, which all retail dealers sell and dispense from all motor fuel pumps operated by the retail dealers in this state during a twelve-month period beginning January 1 and ending December 31. The aggregate diesel fuel gallonage is divided into the following classifications:

(1) The aggregate biodiesel blended fuel gallonage which is the aggregate number of gallons of biodiesel blended fuel.

(2) The aggregate nonblended diesel fuel gallonage which is the aggregate number of gallons of diesel fuel which is not biodiesel or biodiesel blended fuel.

b. The aggregate biodiesel gallonage is the total number of gallons of biodiesel which may or may not be a component of biodiesel blended fuel, and which all retail dealers sell and dispense from motor fuel pumps as provided in paragraph "a" during a twelve-month period beginning January 1 and ending December 31.

6. a. The aggregate ethanol distribution percentage is the aggregate ethanol gallonage expressed as a percentage of the aggregate gasoline gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

b. The aggregate per gallon distribution percentage which is the aggregate ethanol blended gasoline gallonage expressed as a percentage of the aggregate gasoline gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

7. a. The aggregate biodiesel distribution percentage is the aggregate biodiesel gallonage expressed as a percentage of the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

b. The aggregate per gallon distribution percentage is the aggregate biodiesel blended fuel gallonage expressed as a percentage of the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

8. The aggregate biofuel distribution percentage is the sum of the aggregate ethanol gallonage plus the aggregate biodiesel gallonage expressed as a percentage of the sum of the aggregate gasoline gallonage plus the aggregate diesel fuel gallonage calculated for a twelve-month period beginning January 1 and ending December 31.

Sec. 55. NEW SECTION. 452A.32 SCHEDULE FOR AVERAGING ETHANOL CONTENT IN E-85 GASOLINE.

The department shall establish a schedule listing the average amount of ethanol contained in E-85 gasoline as defined in section 214A.1, for use by a retail dealer in

calculating the retail dealer's total ethanol gallonage, as provided in section 452A.31. In establishing the schedule, the department shall assume that a retail dealer begins selling and dispensing E-85 gasoline from a motor fuel pump on the first day of a month and ceases selling and distributing E-85 gasoline on the last day of a month.

Sec. 56. NEW SECTION. 452A.33 REPORTING REQUIREMENTS.

1. a. Each retail dealer shall report its total motor fuel gallonage for a determination period as follows:

(1) Its total gasoline gallonage and its total ethanol gallonage, including for each classification and subclassification as provided in section 452A.31.

(2) Its total diesel fuel gallonage and its total biodiesel gallonage, including for each classification and subclassification as provided in section 452A.31.

b. The report shall include a breakdown of the information required in paragraph "a" for each retail motor fuel site or other permanent or temporary location from which the retail dealer sells and dispenses motor fuel.

c. The retail dealer shall prepare and submit the report in a manner and according to procedures required by the department. The department may require that retail dealers report to the department on an annual, quarterly, or monthly basis.

d. The information included in a report submitted by a retail dealer is deemed to be a trade secret, protected as a confidential record pursuant to section 22.7.

2. On or before February 1 the department shall deliver a report to the governor and the legislative services agency. The report shall compile information reported by retail dealers to the department as provided in this section and shall at least include all of the following:

a. (1) The aggregate gasoline gallonage for the previous determination period, including for all classifications and subclassifications as provided in section 452A.31.

(2) The aggregate diesel fuel gallonage for the previous determination period, including for all classifications and subclassifications as provided in section 452A.31.

b. (1) The aggregate ethanol distribution percentage for the previous determination period.

(2) The aggregate biodiesel distribution percentage for the previous determination period.

c. The report shall not provide information regarding motor fuel or biofuel which is sold and dispensed by an individual retail dealer or at a particular retail motor fuel site. The report shall not include a trade secret protected as a confidential record pursuant to section 22.7.

3. On or before February 1 of each year, the state department of transportation shall deliver a report to the governor and the legislative services agency providing information regarding flexible fuel vehicles registered in this state during the previous determination period. The information shall state all of the following:

a. The aggregate number of flexible fuel vehicles.

b. Of the aggregate number of flexible fuel vehicles, all of the following:

(1) The number of flexible fuel vehicles according to the year of manufacture.

(2) The number of passenger vehicles and the number of passenger vehicles according to the year of manufacture.

(3) The number of light pickup trucks and the number of light pickup trucks according to the year of manufacture.

DIVISION VI

COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

Sec. 57. Section 8A.362, subsection 3, Code 2005, is amended to read as follows:

3. a. The director shall provide for a record system for the keeping of records of the total number of miles state-owned motor vehicles are driven and the per-mile cost of operation of each motor vehicle. Every state officer or employee shall keep a record book to be furnished by the director in which the officer or employee shall enter all purchases of gasoline, lubricating oil, grease, and other incidental expense in the operation of the motor vehicle assigned to the officer or employee, giving the quantity and price of each purchase, including the cost and nature of all repairs on the motor vehicle. Each operator of a state-owned motor vehicle shall promptly prepare a report at the end of each month on forms furnished by the director and forwarded to the director, giving the information the director may request

in the report. Each month the director shall compile the costs and mileage of state-owned motor vehicles from the reports and keep a cost history for each motor vehicle and the costs shall be reduced to a cost-per-mile basis for each motor vehicle. The director shall call to the attention of an elected official or the head of any state agency to which a motor vehicle has been assigned any evidence of the mishandling or misuse of a state-owned motor vehicle which is called to the director's attention.

b. A motor vehicle operated under this subsection shall not operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1, unless under emergency circumstances. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol, if commercially available. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 58. Section 8A.362, subsection 5, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85 gasoline and-at-least-eighty-five-percent-ethanol~~ as provided in section 214A.2.

(2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of diesel-fuel-and-processed-soybean-oil~~ as provided in section 214A.2. ~~At-least-twenty-percent-of-the-mixed-fuel-by-volume must-be-processed-soybean-oil.~~

Sec. 59. Section 216B.3, subsection 16, paragraph a, Code 2005, is amended to read as follows:

a. A motor vehicle purchased by the commission shall not operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1. A state issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent

~~ethanol~~. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 60. Section 216B.3, subsection 16, paragraph b, subparagraph (1), subparagraph subdivisions (a) and (b), Code 2005, are amended to read as follows:

(a) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85 gasoline and-at-least-eighty-five-percent-ethanol~~ as provided in section 214A.2.

(b) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of diesel-fuel-and-processed-soybean-oil~~ as provided in section 214A.2. At-least-twenty-percent-of-the-mixed-fuel-by-volume must-be-processed-soybean-oil.

Sec. 61. Section 260C.19A, subsection 1, Code 2005, is amended to read as follows:

1. A motor vehicle purchased by or used under the direction of the board of directors to provide services to a merged area shall not operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 62. Section 260C.19A, subsection 2, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85 gasoline and-at-least-eighty-five-percent-ethanol~~ as provided in section 214A.2.

(2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of diesel-fuel-and-processed-soybean-oil~~ as provided in section 214A.2. At-least-twenty-percent-of-the-mixed-fuel-by-volume must-be-processed-soybean-oil.

Sec. 63. Section 262.25A, subsection 2, Code 2005, is amended to read as follows:

2. A motor vehicle purchased by the institutions shall not operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1, unless under emergency circumstances. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol if commercially available. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 64. Section 262.25A, subsection 3, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol~~ as provided in section 214A.2.

(2) ~~A B-20 biodiesel blended fuel which is a mixture of processed soybean oil and diesel fuel~~ as provided in section 214A.2. ~~At least twenty percent of the fuel by volume must be processed soybean oil.~~

Sec. 65. Section 279.34, Code 2005, is amended to read as follows:

279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~
~~BLENDED~~ ETHANOL BLENDED GASOLINE.

A motor vehicle purchased by or used under the direction of the board of directors to provide services to a school corporation shall not, on or after January 1, 1993, operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 66. Section 307.21, subsection 4, paragraph d, Code 2005, is amended to read as follows:

d. A motor vehicle purchased by the administrator shall not operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent ethanol. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 67. Section 307.21, subsection 5, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A-fuel-blended-with-not-more-than-fifteen-percent E-85 gasoline and-at-least-eighty-five-percent-ethanol~~ as provided in section 214A.2.

(2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of processed-soybean-oil-and-diesel-fuel~~ as provided in section 214A.2. At-least-twenty-percent-of-the-fuel-by-volume-must-be processed-soybean-oil.

Sec. 68. Section 331.908, Code 2005, is amended to read as follows:

331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-BLENDED~~ ETHANOL BLENDED GASOLINE.

A motor vehicle purchased or used by a county to provide county services shall not ~~on-or-after-January-17-1993~~ operate on gasoline other than ethanol blended gasoline blended-with-at-least-ten-percent-ethanol as defined in section 214A.1. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended-with-ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 69. Section 364.20, Code 2005, is amended to read as follows:

364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-BLENDED~~ ETHANOL BLENDED GASOLINE.

A motor vehicle purchased or used by a city to provide city services shall not ~~on or after January 17, 1993~~ operate on gasoline other than ethanol blended gasoline blended with at least ten percent ethanol as defined in section 214A.1. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended with ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 70. Section 904.312A, subsection 1, Code 2005, is amended to read as follows:

1. A motor vehicle purchased by the department shall not operate on gasoline other than ethanol blended gasoline blended with at least ten percent ethanol as defined in section 214A.1. A state-issued credit card used to purchase gasoline shall not be valid to purchase gasoline other than ethanol blended gasoline blended with at least ten percent ethanol. The motor vehicle shall also be affixed with a brightly visible sticker which notifies the traveling public that the motor vehicle is being operated on ethanol blended gasoline blended with ethanol. However, the sticker is not required to be affixed to an unmarked vehicle used for purposes of providing law enforcement or security.

Sec. 71. Section 904.312A, subsection 2, paragraph a, subparagraphs (1) and (2), Code 2005, are amended to read as follows:

(1) ~~A fuel blended with not more than fifteen percent E-85 gasoline and at least eighty-five percent ethanol~~ as provided in section 214A.2.

(2) ~~A B-20 biodiesel blended fuel which is a mixture of diesel fuel and processed soybean oil~~ as provided in section 214A.2. ~~At least twenty percent of the mixed fuel by volume must be processed soybean oil.~~

DIVISION VII

COORDINATING PROVISIONS -- MISCELLANEOUS

Sec. 72. Section 15.401, Code Supplement 2005, is amended to read as follows:

15.401 ~~E-85-BLENDED-GASOLINE~~ RENEWABLE FUELS.

1. As used in this section, unless the context otherwise requires, "biodiesel", "biodiesel blended fuel", "E-85 gasoline", and "retail motor fuel site" mean the same as defined in section 214A.1.

2. The department shall provide a cost-share program for financial incentives for the installation or conversion of infrastructure used by ~~service-stations~~ retail motor fuel sites to do all of the following:

a. ~~sell~~ Sell and dispense E-85 blended gasoline and ~~for the installation or conversion of.~~

b. Install or convert infrastructure required to establish on-site and off-site terminal facilities that store biodiesel or biodiesel blended fuel for distribution to ~~service-stations~~ retail motor fuel sites.

3. The department shall provide for an addition of at least thirty new or converted E-85 gasoline retail outlets and four new or converted on-site or off-site terminal facilities with a maximum expenditure of three hundred twenty-five thousand dollars per year for the fiscal period beginning July 1, 2005, and ending June 30, 2008. The department may provide for the marketing of these products in conjunction with this infrastructure program.

4. The department shall consult with the renewable fuel infrastructure board created in section 15G.115 in administering this section.

Sec. 73. Section 159A.2, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 0A. "Biodiesel" and "biodiesel blended fuel" mean the same as defined in section 214A.1.

NEW SUBSECTION. 3A. "Department" means the department of agriculture and land stewardship.

NEW SUBSECTION. 3B. "Ethanol blended gasoline" means the same as defined in section 214A.1.

Sec. 74. Section 159A.2, subsection 6, Code 2005, is amended by striking the subsection and inserting in lieu thereof the following:

6. "Renewable fuel" means the same as defined in section 214A.1.

Sec. 75. Section 159A.2, subsection 8, Code 2005, is amended by striking the subsection.

Sec. 76. Section 159A.3, subsection 3, Code 2005, is amended to read as follows:

3. a. A chief purpose of the office is to further the production and consumption of ethanol ~~fuel~~ blended gasoline in this state. The office shall be the primary state agency charged with the responsibility to promote public consumption of ethanol ~~fuel~~ blended gasoline.

b. The office shall promote the production and consumption of ~~soydiesel-fuel~~ biodiesel and biodiesel blended fuel in this state.

Sec. 77. Section 214A.19, subsection 1, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The department of natural resources, conditioned upon the availability of funds, is authorized to award demonstration grants to persons who purchase vehicles which operate on alternative fuels, including but not limited to, ~~high-blend ethanol~~ E-85 gasoline, biodiesel, compressed natural gas, electricity, solar energy, or hydrogen. A grant shall be for the purpose of conducting research connected with the fuel or the vehicle, and not for the purchase of the vehicle itself, except that the money may be used for the purchase of the vehicle if all of the following conditions are satisfied:

Sec. 78. Section 307.20, Code 2005, is amended to read as follows:

307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING FUND.

1. A biodiesel and biodiesel blended fuel revolving fund is created in the state treasury. The biodiesel and biodiesel blended fuel revolving fund shall be administered by the department and shall consist of moneys received from the sale of EPAAct credits banked by the department on April 19, 2001, moneys appropriated by the general assembly, and any other moneys obtained or accepted by the department for deposit in the fund. Moneys in the fund are appropriated to and shall be used by the department for the purchase of biodiesel and biodiesel blended fuel for use in department vehicles. The department shall submit an annual report not later than January 31 to the members of the general assembly and the legislative services agency, of the expenditures made from the fund during the preceding fiscal year. Section 8.33 does not

apply to any moneys in the fund and, notwithstanding section 12C.7, subsection 2, earnings or interest on moneys deposited in the fund shall be credited to the fund.

2. A ~~department~~ departmental motor vehicle operating ~~on~~ using biodiesel or biodiesel blended fuel shall be affixed with a brightly visible sticker that notifies the traveling public that the motor vehicle uses biodiesel blended fuel.

3. For purposes of this section the following definitions apply:

a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel" ~~means-soydiesel-fuel~~ mean the same as defined in section ~~159A.2~~ 214A.1.

b. "EPAct credit" means a credit issued pursuant to the federal Energy Policy Act (EPAct), 42 U.S.C. § 13201 et seq.

Sec. 79. Section 452A.2, subsection 3, Code Supplement 2005, is amended to read as follows:

3. "Blender" means a person who owns and blends ~~alcohol~~ ethanol with gasoline to produce ethanol blended gasoline and blends the product at a nonterminal location. The ~~blender~~ person is not restricted to blending ~~alcohol~~ ethanol with gasoline. Products blended with gasoline other than ~~grain alcohol~~ ethanol are taxed as gasoline. "Blender" also means a person blending two or more special fuel products at a nonterminal location where the tax has not been paid on all of the products blended. This blend is taxed as a special fuel.

Sec. 80. Section 452A.2, subsection 21, Code Supplement 2005, is amended to read as follows:

21. "Nonterminal storage facility" means a facility where motor fuel or special fuel, other than liquefied petroleum gas, is stored that is not supplied by a pipeline or a marine vessel. "Nonterminal storage facility" includes a facility that manufactures products such as ~~alcohol~~ ethanol as defined in section 214A.1, biofuel, blend stocks, or additives which may be used as motor fuel or special fuel, other than liquefied petroleum gas, for operating motor vehicles or aircraft.

Sec. 81. Section 452A.3, subsection 1B, Code Supplement 2005, is amended to read as follows:

1B. An excise tax of seventeen cents is imposed on each gallon of E-85 gasoline, ~~which contains at least eighty-five~~

~~percent-denatured-alcohol-by-volume-from-the-first-day-of April-until-the-last-day-of-October-or-seventy-percent denatured-alcohol-from-the-first-day-of-November-until-the last-day-of-March, used-for-the-privilege-of-operating-motor vehicles-in-this-state~~ as defined in section 214A.1, subject to the determination provided in subsection 1C.

Sec. 82. Section 452A.6, Code 2005, is amended to read as follows:

452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS -- BLENDER'S LICENSE.

1. a. A person other than a supplier, restrictive supplier, or importer licensed under this division, who blends gasoline with ~~alcohol-distilled-from-cereal-grains-so-that-the blend-contains-at-least-ten-percent-alcohol-distilled-from cereal-grains~~ ethanol as defined in section 214A.1 in order to formulate ethanol blended gasoline, shall obtain a blender's license.

b. A person who blends two or more special fuel products or sells one hundred percent biofuel shall obtain a blender's license.

2. The A blender's license shall be obtained by following the procedure under section 452A.4 and the blender's license is subject to the same restrictions as contained in that section.

3. A blender required to obtain a license pursuant to this section shall maintain records as required by section 452A.10 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline, and special fuels.

DIVISION VIII
CHANGE OF TERMS

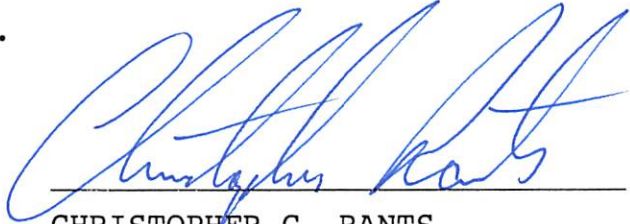
Sec. 83. CHANGE OF TERMS.

1. Sections 8A.362, 101.21, 159A.4, 214.11, 214A.1, 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10, 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.56, 423.14, 452A.63, 452A.66, and 452A.78, Code 2005, are amended by striking from the provisions the words "motor vehicle fuel" and inserting the following: "motor fuel".

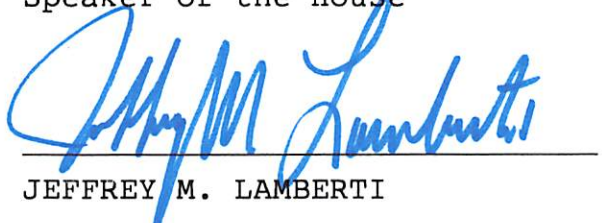
2. Sections 214.3, 214.9, 214.11, and 214A.16, Code 2005, are amended by striking the words "motor vehicle fuel pump" or "motor vehicle fuel pumps" and inserting the following: "motor fuel pump" or "motor fuel pumps".

3. Sections 159A.3 and 214A.17, Code 2005, are amended by striking from the provisions the words "oxygenate octane enhancers" and inserting the following: "oxygenates".

4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and 214A.10, Code 2005, are amended by striking from the provisions the words "oxygenate octane enhancer" and inserting the following: "oxygenate".



CHRISTOPHER C. RANTS
Speaker of the House



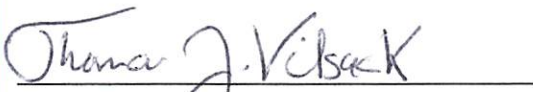
JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2754, Eighty-first General Assembly.



MARGARET THOMSON
Chief Clerk of the House

Approved May 30, 2006



THOMAS J. VILSACK
Governor