

House Study Bill 267

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to biodiesel fuel, including biodiesel fuel tax
2 credits and providing an applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 2736HC 80
5 da/pj/5

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1 1 Section 1. Section 159A.2, subsections 6 and 8, Code 2003,
1 2 are amended to read as follows:
1 3 6. "Renewable fuel" means an energy source at least in
1 4 part derived from an organic compound capable of powering
1 5 machinery, including an engine or power plant. A renewable
1 6 fuel includes but is not limited to ethanol-blended or
1 7 ~~soydiesel~~ biodiesel fuel.
1 8 8. "~~Soydiesel~~ Biodiesel fuel" means a fuel which is a
1 9 mixture of diesel fuel and processed soybean oil, if at least
1 10 twenty percent of the mixed fuel by volume is processed
1 11 soybean oil which meets American society for testing and
1 12 materials standards.
1 13 Sec. 2. Section 159A.3, subsection 3, paragraph b, Code
1 14 2003, is amended to read as follows:
1 15 b. The office shall promote the production and consumption
1 16 of ~~soydiesel~~ biodiesel fuel in this state.
1 17 Sec. 3. Section 307.20, subsection 3, paragraph a, Code
1 18 2003, is amended to read as follows:
1 19 a. "Biodiesel fuel" means ~~soydiesel fuel~~ the same as
1 20 defined in section 159A.2.
1 21 Sec. 4. NEW SECTION. 422.11H BIODIESEL FUEL TAX CREDIT.
1 22 1. As used in this section, unless the context otherwise
1 23 requires:
1 24 a. "Biodiesel fuel" means the same as defined in section
1 25 159A.2.
1 26 b. "Metered pump" means a motor vehicle fuel pump licensed
1 27 by the department of agriculture and land stewardship pursuant
1 28 to chapter 214.
1 29 c. "Retail dealer" means a retail dealer as defined in
1 30 section 214A.1 who operates a metered pump at a service
1 31 station.
1 32 d. "Sell" means to sell on a retail basis.
1 33 e. "Service station" means each geographic location in
1 34 this state where a retail dealer sells and dispenses gasoline
1 35 on a retail basis.
2 1 f. "Special fuel" means special fuel as defined in 452A.2.
2 2 g. "Tax credit" means the designated biodiesel fuel tax
2 3 credit as provided in this section.
2 4 2. The taxes imposed under this division, less the credits
2 5 allowed under sections 422.12 and 422.12B, shall be reduced by
2 6 a biodiesel fuel tax credit for each tax year that the
2 7 taxpayer is eligible to claim the tax credit under this
2 8 section. In order to be eligible, all of the following must
2 9 apply:
2 10 a. The taxpayer is a retail dealer.
2 11 b. The taxpayer operates at least one service station at
2 12 which more than five percent of the total gallons of special
2 13 fuel for diesel engines sold and dispensed through one or more
2 14 metered pumps by the taxpayer in the tax year is biodiesel
2 15 fuel.
2 16 c. The taxpayer complies with requirements of the
2 17 department required to administer this section.
2 18 d. The taxpayer reports information to the department of
2 19 natural resources as provided in section 473.7.
2 20 3. The tax credit shall be calculated separately for each
2 21 service station operated by the taxpayer. The amount of the
2 22 tax credit for each eligible service station is two and one=

2 23 half cents multiplied by the total number of gallons of
2 24 biodiesel fuel sold and dispensed through all metered pumps
2 25 located at that service station during the tax year in excess
2 26 of five percent of all special fuel for diesel engines sold
2 27 and dispensed through metered pumps at that service station
2 28 during the tax year.

2 29 4. Any credit in excess of the taxpayer's tax liability
2 30 shall be refunded. In lieu of claiming a refund, the taxpayer
2 31 may elect to have the overpayment shown on the taxpayer's
2 32 final, completed return credited to the tax liability for the
2 33 following tax year.

2 34 5. An individual may claim the tax credit allowed a
2 35 partnership, limited liability company, S corporation, estate,
3 1 or trust electing to have the income taxed directly to the
3 2 individual. The amount claimed by the individual shall be
3 3 based upon the pro rata share of the individual's earnings of
3 4 a partnership, limited liability company, S corporation,
3 5 estate, or trust.

3 6 Sec. 5. Section 422.33, Code 2003, is amended by adding
3 7 the following new subsection:

3 8 NEW SUBSECTION. 14. a. As used in this subsection,
3 9 unless the context otherwise requires:

3 10 (1) "Biodiesel fuel", "metered pump", "retail dealer",
3 11 "sell", "service station", and "special fuel" mean the same as
3 12 defined in section 422.11H.

3 13 (2) "Tax credit" means the designated biodiesel fuel tax
3 14 credit as provided in this subsection.

3 15 b. The taxes imposed under this division shall be reduced
3 16 by a biodiesel fuel tax credit for each tax year that the
3 17 taxpayer is eligible to claim the tax credit under this
3 18 subsection. In order to be eligible, all of the following
3 19 must apply:

3 20 (1) The taxpayer is a retail dealer.

3 21 (2) The taxpayer operates at least one service station at
3 22 which more than five percent of the total gallons of special
3 23 fuel for diesel engines sold and dispensed through one or more
3 24 metered pumps by the taxpayer is biodiesel fuel.

3 25 (3) The taxpayer complies with requirements of the
3 26 department required to administer this subsection.

3 27 (4) The taxpayer reports information to the department of
3 28 natural resources as provided in section 473.7.

3 29 c. The tax credit shall be calculated separately for each
3 30 service station operated by the taxpayer. The amount of the
3 31 tax credit for each eligible service station is two and one=
3 32 half cents multiplied by the total number of gallons of
3 33 biodiesel fuel sold in excess of five percent of all special
3 34 fuel for diesel engines sold and dispensed through metered
3 35 pumps at that service station during the tax year.

4 1 d. Any credit in excess of the taxpayer's tax liability
4 2 shall be refunded. In lieu of claiming a refund, the taxpayer
4 3 may elect to have the overpayment shown on the taxpayer's
4 4 final, completed return credited to the tax liability for the
4 5 following tax year.

4 6 Sec. 6. Section 473.7, Code 2003, is amended by adding the
4 7 following new subsection:

4 8 NEW SUBSECTION. 14A. Obtain information from retail
4 9 dealers as defined in section 422.11H and maintain records
4 10 regarding the market share and gallons purchased of special
4 11 fuels for diesel engines and biodiesel fuel as provided in
4 12 section 422.11H.

4 13 Sec. 7. APPLICABILITY. The biodiesel fuel tax credits
4 14 provided in sections 422.11H and 422.33 apply to tax years
4 15 beginning on or after January 1, 2004. The department of
4 16 revenue and finance shall perform functions, prior to the
4 17 beginning of that tax year, necessary in order to implement
4 18 the tax credits.

4 19 EXPLANATION

4 20 This bill is patterned after the ethanol=blended gasoline
4 21 tax credit provisions creating a tax credit for retail dealers
4 22 of motor vehicle fuel who sell ethanol=blended gasoline
4 23 (gasoline containing at least 10 percent alcohol). The
4 24 ethanol=blended gasoline tax credit applies to both taxpayers
4 25 filing as individuals under Code chapter 422, division II, and
4 26 businesses under Code chapter 422, division III. Pursuant to
4 27 the bill, a retail dealer may claim a tax credit for the sale
4 28 of biodiesel fuel if the retail dealer operates at least one
4 29 service station at which more than 5 percent of the total
4 30 gallons of special fuel for diesel engines sold is biodiesel
4 31 fuel. According to the bill, the amount of the tax credit for
4 32 each eligible service station is two and one-half cents
4 33 multiplied by the total number of gallons of biodiesel fuel

4 34 sold at that service station during the tax year in excess of
4 35 5 percent of all special fuel for diesel engines sold at that
5 1 service station. The bill also requires retail dealers to
5 2 report information regarding sales of special fuels and
5 3 biodiesel fuel to the department of natural resources.
5 4 Biodiesel fuel is a fuel which is a mixture of diesel fuel
5 5 and processed soybean oil, if at least 20 percent of the mixed
5 6 fuel by volume is processed soybean oil. The bill changes the
5 7 term "soydiesel" fuel to "biodiesel" fuel in Code chapter 159A
5 8 providing for renewable fuels. Code section 452A.2 defines a
5 9 "special fuel" as a fuel used for generating power for the
5 10 propulsion of motor vehicles other than motor fuel.
5 11 The tax credits apply to tax years beginning on or after
5 12 January 1, 2004.
5 13 LSB 2736HC 80
5 14 da/pj/5