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Agriculture

HOUSE FILE 2548

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Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

HF 2548

A BILL FOR

1 An Act relating to the formulation of motor vehicle fuel, by  
2 providing for ethanol blended gasoline, providing for the  
3 promotion of ethanol blended gasoline and biodiesel and  
4 biodiesel blended gasoline, providing tax incentives,  
5 providing incentives for infrastructure used to store and  
6 dispense E-85 gasoline, making appropriations, providing  
7 penalties, and providing retroactive applicability and  
8 effective dates.

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

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DIVISION I

ESTABLISHMENT OF RENEWABLE FUEL STANDARDS

Section 1. 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 constituent, provided in section 214A.2.

NEW SUBSECTION. 1C. "Business association" means the same as defined in section 202B.102.

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 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, and which meets the specifications provided in section 214A.2.

NEW SUBSECTION. 1G. "E-85 gasoline" means ethanol blended gasoline formulated with a minimum percentage of between seventy-five 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

1 denatured as required in 23 C.F.R., pts. 20 and 21, for use as  
2 an oxygenate in gasoline.

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

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

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

14 NEW SUBSECTION. 2B. "Motor fuel retail business" means a  
15 person who is a retail dealer or who exercises control over  
16 the management decisions of a retail dealer, including any  
17 business association, which owns or controls one or more  
18 service stations.

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

27 NEW SUBSECTION. 7A. "Service station" means each  
28 geographic location in this state where a retail dealer sells  
29 and dispenses motor fuel on a retail basis.

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

32 2. "Motor ~~vehicle~~ fuel" means a substance or combination  
33 of substances which is intended to be or is capable of being  
34 used for the purpose ~~of-propelling-or-running-by-combustion~~  
35 any of operating an internal combustion engine, including but

1 not limited to a motor vehicle, and is kept for sale or sold  
2 for that purpose. The products commonly known as kerosene and  
3 distillate or petroleum products of lower gravity (Baume  
4 scale), when not used to propel a motor vehicle or for  
5 compounding or combining with a motor vehicle fuel, are exempt  
6 from this chapter except as provided in section 214A.2A.

7 Sec. 3. Section 214A.1, subsections 6 and 8, Code 2005,  
8 are amended by striking the subsections and inserting in lieu  
9 thereof the following:

10 6. "Retail dealer" means a person engaged in the business  
11 of storing and dispensing motor fuel from a motor fuel pump  
12 for sale on a retail basis.

13 8. "Wholesale dealer" means a person, other than a retail  
14 dealer, who operates a place of business where motor fuel is  
15 stored and dispensed for sale in this state, including a  
16 permanent or mobile location.

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

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

1     Sec. 5. Section 214A.2, Code 2005, is amended by adding  
2 the following new subsection:

3     NEW SUBSECTION. 2A. a. For motor fuel advertised for  
4 sale or sold as gasoline by a dealer, the motor fuel must meet  
5 registration requirements for that type of motor fuel and its  
6 additives established by the United States environmental  
7 protection agency including as provided under 42 U.S.C. §  
8 7545.

9     b. If the motor fuel is advertised for sale or sold as  
10 ethanol blended gasoline, the motor fuel must comply with  
11 departmental standards which to every extent feasible shall  
12 comply with specifications for ethanol blended gasoline  
13 adopted by A.S.T.M. international. For ethanol blended  
14 gasoline all of the following shall apply:

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

18     (2) For E-85 gasoline all of the following must apply:

19     (a) From the first day of April until the last day of  
20 October, at least eighty-five percent of the gasoline by  
21 volume must be ethanol.

22     (b) From the first day of November until the last day of  
23 March, at least seventy-five percent of the gasoline by volume  
24 must be ethanol.

25     (3) In calculating the percentage of ethanol required for  
26 the formulation of ethanol blended gasoline fuel, a percentage  
27 of a denaturant or contaminants permitted in the ethanol  
28 blended gasoline may be excluded as provided by rules adopted  
29 by the department.

30     Sec. 6. Section 214A.2, subsection 3, Code 2005, is  
31 amended by striking the subsection and inserting in lieu  
32 thereof the following:

33     3. a. For motor fuel advertised for sale or sold as  
34 biodiesel or biodiesel blended fuel by a dealer, the motor  
35 fuel must meet registration requirements for that type of

1 motor fuel and its additives established by the United States  
2 environmental protection agency including as provided under 42  
3 U.S.C. § 7545.

4 b. The motor fuel must comply with departmental standards  
5 which to every extent feasible shall comply with  
6 specifications adopted by A.S.T.M. international for biodiesel  
7 or biodiesel blended fuel.

8 (1) At least one percent of biodiesel blended fuel by  
9 volume must be biodiesel.

10 (2) The biodiesel may be blended with diesel fuel whose  
11 sulfur, aromatic, lubricity, and octane levels are outside  
12 A.S.T.M. international specification D-975 Grades 1-D, 2-D,  
13 and low sulfur 1-D and 2-D, provided that the finished  
14 biodiesel blended fuel meets its applicable A.S.T.M.  
15 international specifications for these properties.

16 Sec. 7. Section 214A.2A, Code 2005, is amended to read as  
17 follows:

18 214A.2A KEROSENE LABELING.

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

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

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

32 214A.3 ADVERTISING.

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

35 a. Advertise the sale of any motor fuel which does not

1 meet the standards provided in section 214A.2.

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

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

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

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

10 b. (1) Ethanol blended gasoline sold by a dealer shall be  
11 designated E-xx where "xx" is the volume percent of ethanol in  
12 the ethanol blended gasoline. A person shall not knowingly  
13 falsely advertise ethanol blended gasoline by using an  
14 inaccurate designation in violation of this subparagraph.

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

20 Sec. 9. Section 214A.11, Code 2005, is amended to read as  
21 follows:

22 214A.11 VIOLATIONS PENALTY.

23 Any A person violating-the-provisions who violates a  
24 provision of this chapter ~~shall-be~~ is guilty of a simple  
25 serious misdemeanor.

26 SUBCHAPTER 2

27 PETROLEUM REPLACEMENT INITIATIVE

28 Sec. 10. NEW SECTION. 214A.31 RENEWABLE FUELS SOLD AND  
29 DISPENSED DURING A DETERMINATION PERIOD.

30 For each determination period beginning January 1 and  
31 ending December 31, the department of revenue shall obtain  
32 information regarding the distribution of renewable fuels  
33 dispensed from motor fuel pumps located at service stations in  
34 this state, including information required to calculate all of  
35 the following:

1 1. The aggregate distribution percentage for a motor fuel  
2 retail business, which is the total number of gallons of  
3 ethanol sold and dispensed as a formulation of ethanol blended  
4 gasoline from motor fuel pumps located at all service stations  
5 owned or controlled by the motor fuel retail business in this  
6 state as expressed as a percentage of the total number of  
7 gallons of gasoline sold and dispensed from all motor fuel  
8 pumps located at all service stations owned or controlled by  
9 the motor fuel retail business in this state, which percentage  
10 is used in determining whether the motor fuel retail business  
11 meets the threshold as provided in the petroleum replacement  
12 schedule established pursuant to sections 214A.33 and 214A.34.

13 2. The total number of gallons of biodiesel sold and  
14 dispensed as a formulation of biodiesel blended fuel from  
15 motor fuel pumps located at all service stations owned or  
16 controlled by a motor fuel retail business in this state,  
17 which is used in determining whether the motor fuel retail  
18 business meets the threshold as provided in the petroleum  
19 replacement schedule established pursuant to sections 214A.33  
20 and 214A.34.

21 Sec. 11. NEW SECTION. 214A.32 RENEWABLE FUELS SOLD AND  
22 DISPENSED DURING A DETERMINATION PERIOD -- REPORT.

23 1. The department of agriculture and land stewardship, in  
24 cooperation with the committee, and the department of revenue  
25 shall jointly monitor the progress of each motor fuel retail  
26 business in meeting the thresholds as provided in the  
27 petroleum replacement schedule established pursuant to  
28 sections 214A.33 and 214A.34.

29 2. On or before February 1 following a determination  
30 period, the department of revenue shall send a report which  
31 compiles the information obtained pursuant to section 214A.31  
32 to the department of agriculture and land stewardship and the  
33 fiscal services division of the legislative services agency.  
34 The report shall state whether the aggregate distribution  
35 percentage for each motor fuel retail business for the

1 determination period meets the threshold required as provided  
2 in section 214A.33, and if the threshold is not met, the  
3 amount of additional renewable fuel required to be sold and  
4 dispensed from all motor fuel pumps located at all service  
5 stations owned or controlled by each motor fuel retail  
6 business in order to meet the threshold.

7 Sec. 12. NEW SECTION. 214A.33 PETROLEUM REPLACEMENT  
8 SCHEDULE.

9 A petroleum replacement schedule is established based on  
10 aggregate distribution percentages calculated by the  
11 department of revenue for each determination period pursuant  
12 to section 214A.31.

13 1. a. For a motor fuel retail business that sells and  
14 dispenses more than five hundred thousand gallons of gasoline,  
15 all of the following shall apply:

16 (1) For each determination period in the period beginning  
17 January 1, 2008, and ending December 31, 2009, the threshold  
18 for the aggregate distribution percentage must be ten percent.

19 (2) For each determination period in the period beginning  
20 January 1, 2010, and ending December 31, 2011, the threshold  
21 for the aggregate distribution percentage must be fifteen  
22 percent.

23 (3) For each determination period in the period beginning  
24 January 1, 2012, and ending December 31, 2014, the threshold  
25 for the aggregate distribution percentage must be twenty  
26 percent.

27 (4) For each determination period beginning on or after  
28 January 1, 2015, the threshold for the aggregate distribution  
29 percentage must be twenty-five percent.

30 b. If a business does not meet a threshold for a  
31 determination period as provided in paragraph "a", each gallon  
32 of biodiesel that is sold and dispensed as a formulation of  
33 biodiesel blended fuel from motor fuel pumps located at all  
34 service stations owned or controlled by the motor fuel retail  
35 business shall be counted as a gallon of ethanol.

1        2. a. For a motor fuel retail business that sells and  
2 dispenses five hundred thousand gallons of gasoline or less,  
3 all of the following shall apply:

4        (1) For each determination period in the period beginning  
5 January 1, 2010, and ending December 31, 2011, the threshold  
6 for the aggregate distribution percentage must be ten percent.

7        (2) For each determination period in the period beginning  
8 January 1, 2012, and ending December 31, 2013, the threshold  
9 for the aggregate distribution percentage must be fifteen  
10 percent.

11       (3) For each determination period in the period beginning  
12 January 1, 2014, and ending December 31, 2016, the threshold  
13 for the aggregate distribution percentage must be twenty  
14 percent.

15       (4) For each determination period in the period beginning  
16 on or after January 1, 2017, the threshold for the aggregate  
17 distribution percentage must be twenty-five percent.

18       b. If a motor fuel retail business does not meet a  
19 threshold for a determination period as provided in paragraph  
20 "a", each gallon of biodiesel that is sold and dispensed as a  
21 formulation of biodiesel blended fuel from motor fuel pumps  
22 located at all service stations owned or controlled by the  
23 motor fuel retail business shall be counted as a gallon of  
24 ethanol.

25       Sec. 13. NEW SECTION. 214A.34 PETROLEUM REPLACEMENT  
26 SCHEDULE -- ADJUSTMENT.

27       1. A threshold for an aggregate distribution percentage  
28 for a determination period established in the petroleum  
29 replacement schedule provided in section 214A.33 shall be  
30 based on an assumption that a target number of flexible fuel  
31 vehicles using E-85 gasoline are registered under chapter 321.

32       The target numbers of flexible fuel vehicles are as  
33 follows:

34       a. On December 1 of 2010 and 2011, three hundred ninety-  
35 five thousand.

1 b. On December 1 of 2012 through 2014, five hundred fifty  
2 thousand.

3 c. On December 1 of 2015 and each year after that, eight  
4 hundred twenty-five thousand.

5 2. The department of revenue shall adjust a threshold for  
6 the aggregate distribution percentage for a determination  
7 period if the department determines that less than the target  
8 number of flexible fuel vehicles are registered pursuant to  
9 chapter 321. The department shall calculate the total number  
10 of gallons of ethanol that would be used if the target number  
11 of flexible fuel vehicles were registered and adjust the  
12 threshold for the aggregate distribution percentage  
13 proportionally to account for the decrease in ethanol use.

14 Sec. 14. NEW SECTION. 214A.35 PUBLICATION OF THE  
15 PETROLEUM REPLACEMENT SCHEDULE THRESHOLD.

16 The department shall state the total number of flexible  
17 fuel vehicles registered on December 1 of each year, whether  
18 the target number of flexible fuel vehicles have been  
19 registered as provided in section 214A.34, and the threshold  
20 for the aggregate distribution percentage for the following  
21 determination period as provided in section 214A.33. If the  
22 department of revenue is required to adjust a threshold for  
23 the aggregate distribution percentage for a determination  
24 period as provided in section 214A.34, the department shall  
25 state the adjusted threshold. The statements shall be  
26 delivered to the administrative code editor by December 10 for  
27 publication in the next edition of the Iowa administrative  
28 bulletin.

29 Sec. 15. NEW SECTION. 214A.36 FAILURE TO COMPLY WITH  
30 PETROLEUM REPLACEMENT SCHEDULE -- PETROLEUM REPLACEMENT ORDER.

31 If at the end of a determination period a motor fuel retail  
32 business has not met a threshold for the aggregate  
33 distribution percentage for the determination period as  
34 published in the Iowa administrative bulletin pursuant to  
35 section 214A.35, the secretary shall issue an accelerated

1 petroleum replacement order after consulting with the  
2 committee and the department of revenue.

3 1. a. The secretary shall deliver the order to each motor  
4 fuel retail business that fails to meet the threshold.

5 b. The secretary shall compile a report listing each motor  
6 fuel retail business that fails to meet the threshold. The  
7 report shall be delivered to all of the following:

8 (1) The secretary of the senate and the chief clerk of the  
9 house of representatives.

10 (2) The office of attorney general.

11 (3) The department of revenue.

12 (4) The fiscal services division of the legislative  
13 services agency.

14 c. The accelerated petroleum replacement order shall take  
15 effect as provided in the order but no later than thirty days  
16 following the order's issuance.

17 d. The secretary may delay issuing the order or may  
18 suspend the effectiveness of the order for up to twelve months  
19 if the secretary determines that a shortage in the production  
20 biomass feedstock will result in a dramatic decrease in  
21 ethanol inventories.

22 2. If the secretary issues a petroleum replacement order,  
23 all of the following shall apply:

24 a. The motor fuel retail business that fails to meet the  
25 threshold, including each motor fuel retail business owned or  
26 controlled by a retail dealer, shall not be eligible to claim  
27 an ethanol blended gasoline tax credit as provided in sections  
28 422.11C or 422.33 for any part of the tax year which is  
29 subject to the petroleum replacement order.

30 b. (1) Except as provided in subparagraph (2), a retail  
31 dealer that is owned or controlled by a motor fuel retail  
32 business which fails to meet the threshold shall not advertise  
33 for sale, sell, or dispense gasoline other than ethanol  
34 blended gasoline in this state.

35 (2) A retail dealer may advertise for sale, sell, or

1 dispense gasoline, other than ethanol blended gasoline, in  
2 this state if both of the following apply:

3 (a) The gasoline is used to operate one of the following  
4 motor vehicles:

5 (i) An aircraft as defined in section 328.1.

6 (ii) A motor vehicle used exclusively for motor sports,  
7 including on a raceway, if the motor vehicle cannot operate on  
8 a highway as provided in chapter 321 or rules adopted by the  
9 state department of transportation.

10 (iii) An antique vehicle registered under section 321.115.

11 (iv) A snowmobile as defined in section 321G.1.

12 (v) An all-terrain vehicle as defined in section 321G.1.

13 (vi) A watercraft as defined in section 462A.2.

14 (vii) A small motor such as a lawnmower motor.

15 (b) The retail dealer does not use more than one motor  
16 fuel pump located at a service station to sell and dispense  
17 the gasoline.

18 Sec. 16. Section 422.11C, Code 2005, is amended by adding  
19 the following new subsection:

20 NEW SUBSECTION. 6. A taxpayer shall not be eligible to  
21 claim the tax credit for any part of the tax year which is  
22 subject to a petroleum replacement order that applies to the  
23 retail dealer as provided in section 214A.36.

24 Sec. 17. Section 422.33, subsection 11, Code Supplement  
25 2005, is amended by adding the following new paragraph:

26 NEW PARAGRAPH. e. A taxpayer shall not be eligible to  
27 claim the tax credit for any part of the tax year which is  
28 subject to a petroleum replacement order that applies to the  
29 retail dealer as provided in section 214A.36.

30 DIVISION II

31 MOTOR FUEL FRANCHISE AGREEMENTS --

32 SUPPLIES OF E-85 GASOLINE

33 Sec. 18. Section 323A.1, Code 2005, is amended by adding  
34 the following new subsections:

35 NEW SUBSECTION. 0A. "E-85 gasoline" means the same as

1 defined in section 214A.1.

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

4 Sec. 19. Section 323A.1, subsection 4, Code 2005, is  
5 amended to read as follows:

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

11 Sec. 20. Section 323A.2, subsection 1, paragraph a, Code  
12 2005, is amended to read as follows:

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

32 Sec. 21. NEW SECTION. 323A.2A PURCHASE OF E-85 GASOLINE  
33 FROM OTHER SOURCE.

34 1. a. When on and after the effective date of this Act, a  
35 franchise is entered into or renewed, the franchisor shall

1 provide for the delivery of volumes of E-85 gasoline at times  
2 demanded by the franchisee or shall allow the franchisee to  
3 purchase those volumes of E-85 gasoline at those times from  
4 another source.

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

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

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

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

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

28 Sec. 22. EFFECTIVE DATE. This division, being deemed of  
29 immediate importance, takes effect upon enactment.

30 DIVISION III

31 NOTICE OF FLEXIBLE FUEL MOTOR VEHICLES AND  
32 E-85 GASOLINE STATIONS

33 Sec. 23. Section 321.1, Code Supplement 2005, is amended  
34 by adding the following new subsections:

35 NEW SUBSECTION. 23A. "E-85 gasoline" means the same as

1 defined in section 214A.1.

2 NEW SUBSECTION. 25A. "Flexible fuel vehicle" means a  
3 vehicle equipped with an engine using E-85 gasoline.

4 NEW SUBSECTION. 71A. "Service station" means the same as  
5 defined in section 214A.1.

6 Sec. 24. NEW SECTION. 321.16A INTERNET SITE -- FLEXIBLE  
7 FUEL.

8 The department shall publish information relating to  
9 flexible fuel on its internet website. The information shall  
10 include all of the following:

11 1. A current list of available makes and models of  
12 flexible fuel vehicles.

13 2. The locations of all service stations that sell and  
14 dispense E-85 gasoline. The internet website shall include a  
15 map which illustrates the locations of the service stations.

16 Sec. 25. Section 321.31, subsection 1, unnumbered paragraph  
17 1, Code 2005, is amended to read as follows:

18 a. The department shall install and maintain a records  
19 system which shall contain all of the following:

20 (1) The name and address of the vehicle owner.

21 (2) The current and previous registration number of the  
22 vehicle.

23 (3) The vehicle identification number.

24 (4) The make, model, style of the vehicle.

25 (5) Whether the vehicle is a flexible fuel vehicle.

26 (6) The date of the vehicle's purchase.

27 (7) The registration certificate number.

28 (8) The maximum gross weight and weight of the vehicle.

29 (9) The list price or value of the vehicle as fixed by the  
30 department.

31 (10) The fees paid and date of payment.

32 b. The records system shall also contain a record of the  
33 certificate of title including such information as the  
34 department deems necessary. The information to be kept in the  
35 records system shall be entered within forty-eight hours after

1 receipt insofar as is practical.

2 c. The records system shall constitute the permanent  
3 record of ownership of each vehicle titled under the laws of  
4 this state.

5 Sec. 26. Section 321.40, unnumbered paragraph 3, Code  
6 Supplement 2005, is amended to read as follows:

7 On or before the fifteenth day of the eleventh month of a  
8 vehicle's registration year, the department shall create an  
9 electronic file and the county treasurer shall send a  
10 statement of fees due to the appropriate owner of record.  
11 After the department has generated the electronic file used to  
12 produce statements for a registration month, and before the  
13 fifteenth day of the month following expiration of a vehicle's  
14 registration year, the department shall create a subsequent  
15 electronic file and the county treasurer shall send a  
16 statement of fees due to the appropriate owner of record for  
17 any vehicle subsequently registered for that registration  
18 month. If the vehicle is a flexible fuel vehicle, as  
19 identified in section 321.31, the statement of fees shall  
20 include a conspicuous notice identifying the vehicle as a  
21 flexible fuel vehicle. The statement shall be mailed or  
22 electronically transmitted to the most current address of  
23 record, showing information sufficient to identify the vehicle  
24 and a listing of the various fees as appropriate. Failure to  
25 receive a statement shall have no effect upon the accrual of  
26 penalty at the appropriate date.

27 DIVISION IV

28 RENEWABLE FUEL TAX CREDITS FOR RETAIL DEALERS

29 Sec. 27. Section 422.11C, subsection 1, paragraphs a  
30 through g, Code 2005, are amended by striking the paragraphs  
31 and inserting in lieu thereof the following:

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

35 b. "Motor fuel pump" means the same as motor vehicle fuel

1 pump as defined in section 214.1.

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

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

5 Sec. 28. Section 422.11C, subsection 2, paragraph b, Code  
6 2005, is amended to read as follows:

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

12 Sec. 29. Section 422.11C, subsection 3, Code 2005, is  
13 amended to read as follows:

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

23 3A. A taxpayer is not eligible to claim a designated  
24 ethanol blended gasoline tax credit as provided in this  
25 section, if the taxpayer claims an E-85 gasoline tax credit as  
26 provided in section 422.11M or 422.33 for the same gallons of  
27 ethanol blended gasoline in the same tax year.

28 Sec. 30. NEW SECTION. 422.11M E-85 GASOLINE TAX CREDIT.

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

31 a. "E-85 gasoline", "ethanol", "gasoline", "motor fuel  
32 pump", "retail dealer", and "service station" mean the same as  
33 defined in section 214A.1.

34 b. "Sell" means to sell on a retail basis.

35 c. "Tax credit" means the E-85 gasoline tax credit as

1 provided in this section.

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

7 a. The taxpayer is a retail dealer who owns or operates at  
8 least one service station at which E-85 gasoline is sold and  
9 dispensed through a motor fuel pump in the tax year in which  
10 the tax credit is claimed.

11 b. The taxpayer complies with requirements of the  
12 department to administer this section.

13 3. The amount of the tax credit for a retail dealer is  
14 calculated by multiplying ten cents by the total number of  
15 gallons of E-85 gasoline sold and dispensed through all  
16 metered pumps located at all service stations operated by the  
17 retailer dealer during the tax year.

18 4. A taxpayer is not eligible to claim an E-85 gasoline  
19 tax credit as provided in this section, if the taxpayer claims  
20 a designated ethanol blended gasoline tax credit as provided  
21 in section 422.11C for the same gallons of E-85 gasoline.

22 5. Any credit in excess of the taxpayer's tax liability  
23 shall be refunded. In lieu of claiming a refund, the taxpayer  
24 may elect to have the overpayment shown on the taxpayer's  
25 final, completed return credited to the tax liability for the  
26 following tax year.

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

34 Sec. 31. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX  
35 CREDIT.

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

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

5 b. "Motor fuel pump" means the same as defined in section  
6 214.1.

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

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

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

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

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

20 (2) The taxpayer complies with requirements of the  
21 department established to administer this section.

22 b. The tax credit shall apply to biodiesel blended fuel  
23 formulated with a minimum percentage of one percent by volume  
24 of biodiesel, if the formulation meets the standards provided  
25 in section 214A.2. The amount of the tax credit is calculated  
26 by multiplying a designated rate by the total number of  
27 gallons of each grade of biodiesel blended fuel that the  
28 retail dealer sells and dispenses through all of the dealer's  
29 motor fuel pumps during that tax year. The designated rate  
30 shall be calculated as follows:

31 (1) For each gallon of biodiesel blended fuel containing  
32 one percent or more but less than two percent of biodiesel,  
33 one cent per gallon.

34 (2) For each gallon of biodiesel blended fuel containing  
35 two percent or more but less than five percent of biodiesel,

1 two cents per gallon.

2 (3) For each gallon of biodiesel blended fuel containing  
3 five percent or more of biodiesel, five cents per gallon.

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

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

16 Sec. 32. NEW SECTION. 422.110 E-85 GASOLINE  
17 INFRASTRUCTURE INVESTMENT TAX CREDIT.

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

20 a. "E-85 gasoline", "motor fuel", "motor fuel pump",  
21 "retail dealer", and "service station" mean the same as  
22 defined in section 214A.1.

23 b. "Motor fuel storage and dispensing infrastructure" or  
24 "infrastructure" means a tank and motor fuel pump necessary to  
25 keep and dispense motor fuel at a service station, including  
26 but not limited to all associated equipment, motor fuel pumps  
27 or dispensers, other pumps, hoses, tubes, lines, fittings,  
28 valves, filters, seals, and covers.

29 c. "Tax credit" means the E-85 gasoline infrastructure  
30 investment tax credit as provided in this section.

31 2. The taxes imposed under this division, less the credits  
32 allowed under sections 422.12 and 422.12B shall be reduced by  
33 an E-85 gasoline infrastructure investment tax credit. A  
34 retail dealer is eligible to receive the tax credit which is  
35 equal to twenty percent of the costs incurred by the retail

1 dealer in installing, converting, or replacing motor fuel  
2 storage and dispensing infrastructure necessary to store and  
3 dispense E-85 gasoline on the premises of the service station.

4 3. In order to be eligible to claim the tax credit, all of  
5 the following must apply:

6 a. The taxpayer is a retail dealer.

7 b. The taxpayer operates at least one service station.

8 c. The taxpayer complies with requirements of the  
9 department to administer this section.

10 d. The costs eligible for the tax credit are limited to  
11 those costs meeting all of the following requirements:

12 (1) The costs were incurred after June 30, 2006.

13 (2) The infrastructure used to store and dispense E-85  
14 gasoline was used to store and dispense only E-85 gasoline.

15 4. Any credit in excess of the tax liability shall be  
16 refunded with interest computed under section 422.25. In lieu  
17 of claiming a refund, a taxpayer may elect to have the  
18 overpayment shown on the taxpayer's final, completed return  
19 credited to the tax liability for the following tax year.

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

27 Sec. 33. Section 422.33, subsection 11, paragraph a,  
28 subparagraph (1), Code Supplement 2005, is amended to read as  
29 follows:

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

34 Sec. 34. Section 422.33, subsection 11, paragraph b,  
35 subparagraph (2), Code Supplement 2005, is amended to read as

1 follows:

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

6 Sec. 35. Section 422.33, subsection 11, paragraph c, Code  
7 Supplement 2005, is amended to read as follows:

8 c. (1) The tax credit shall be calculated separately for  
9 each service station site operated by the taxpayer.

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

17 (3) The tax credit is not allowed for E-85 gasoline if the  
18 taxpayer claims an E-85 gasoline tax credit as provided in  
19 this subsection for the same gallons of ethanol blended  
20 gasoline in the same tax year that the taxpayer may claim an  
21 ethanol blended gasoline tax credit as provided in this  
22 section.

23 Sec. 36. Section 422.33, Code Supplement 2005, is amended  
24 by adding the following new subsections:

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

29 a. The taxpayer may claim the E-85 gasoline tax credit  
30 according to the same requirements, for the same amount, and  
31 calculated in the same manner, as provided for the E-85  
32 gasoline tax credit pursuant to section 422.11M.

33 b. Any E-85 gasoline tax credit which is in excess of the  
34 taxpayer's tax liability shall be refunded or may be shown on  
35 the taxpayer's final, completed return credited to the tax

1 liability for the following tax year in the same manner as  
2 provided in section 422.11M.

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

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

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

16 NEW SUBSECTION. 11C. The taxes imposed under this  
17 division shall be reduced by an E-85 gasoline infrastructure  
18 investment tax credit for each tax year that the taxpayer is  
19 eligible to claim the tax credit under this subsection.

20 a. The taxpayer shall claim the tax credit in the same  
21 manner as provided in section 422.110. The taxpayer may claim  
22 the tax credit according to the same requirements, for the  
23 same amount, and calculated in the same manner, as provided  
24 for the E-85 gasoline promotion tax credit pursuant to section  
25 422.110.

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

31 Sec. 37. RETROACTIVE APPLICABILITY DATE. Sections  
32 422.11M, 422.11N, and 422.110, as enacted in this Act, and  
33 section 422.33, subsections 11A, 11B and 11C, as enacted in  
34 this Act, apply retroactively to tax years beginning on or  
35 after January 1, 2006.

## 1 DIVISION V

## 2 ECONOMIC DEVELOPMENT

## 3 CLEAN ENERGY ASSISTANCE

4 Sec. 38. NEW SECTION. 15E.400 CLEAN ENERGY ASSISTANCE.

5 1. The Iowa economic development board shall establish a  
6 clean energy assistance program to encourage the  
7 establishment, modernization, and expansion of facilities  
8 producing renewable energy or energy-efficient products or  
9 technology in this state. The board may award financial  
10 assistance to eligible persons in the form of a loan, loan  
11 guarantee, grant, or combination of financial assistance.

12 2. A person is eligible to apply for assistance under this  
13 section if the person satisfies all of the following  
14 requirements:

15 a. The existing or proposed facility for producing  
16 renewable energy or energy-efficient products or technology is  
17 located in this state.

18 b. The person applies to the department in a manner and  
19 according to procedures required by the board.

20 c. The person submits a business plan which demonstrates  
21 managerial and technical expertise.

22 3. The board shall select an applicant to receive  
23 financial assistance based on the following criteria:

24 a. The probability of actual or potential improvements to  
25 the environment including but not limited to reductions in  
26 emissions of greenhouse gases from the use of the product or  
27 technology by the facility owner or the customers of the  
28 facility owner.

29 b. The number and quality of jobs created or retained that  
30 provide living wages at or above the state average and eighty  
31 percent of the costs of comprehensive health insurance.

32 c. The use of natural resources from this state other than  
33 coal.

34 d. The use of research or technology developed in this  
35 state by a college, university, business, or governmental

1 agency in this state.

2 e. The potential research value or potential for further  
3 technological development to fund the business in the future.

4 f. The feasibility of the existing or proposed facility to  
5 remain a viable enterprise and the degree to which the  
6 facility will increase the utilization of renewable energy or  
7 energy-efficient products or technology.

8 4. The board may consult with the department of natural  
9 resources, the department of agriculture and land stewardship,  
10 the university of Iowa, Iowa state university, and the  
11 university of northern Iowa when selecting applicants for  
12 financial assistance pursuant to this section.

13 5. Of the moneys in the clean energy financial assistance  
14 fund created in section 15E.401, the board may expend up to  
15 two million five hundred thousand dollars for purposes of  
16 providing financial assistance for the development of an  
17 advanced biorefinery designed to integrate biomass conversion  
18 processes and equipment to produce fuels, power, and  
19 chemicals.

20 Sec. 39. NEW SECTION. 15E.401 CLEAN ENERGY FINANCIAL  
21 ASSISTANCE FUND.

22 1. A clean energy financial assistance fund is created  
23 within the state treasury under the control of the Iowa  
24 economic development board. The fund shall consist of moneys  
25 appropriated from the general fund pursuant to 15E.402, and  
26 any other moneys available to and obtained or accepted by the  
27 board from the federal government or private sources for  
28 placement in the fund. The assets of the fund shall be used  
29 by the board only for administration and carrying out the  
30 purposes of section 15E.400.

31 2. In administering the fund and the clean energy  
32 financial assistance program, the board may do any of the  
33 following:

34 a. Contract, sue and be sued, and adopt administrative  
35 rules necessary to carry out the provisions of this section

1 and section 15E.400. However, the board shall not in any  
2 manner directly or indirectly pledge the credit of the state.

3 b. Authorize payment from the fund for costs, commissions,  
4 attorney fees, and other reasonable expenses, including  
5 expenses related to carrying out duties necessary for issuing  
6 or guaranteeing loans under section 15E.400, and for the  
7 recovery of loan moneys issued or guaranteed or the management  
8 of property acquired in connection with such loans.

9 3. Payments of interest, recaptures of awards, or  
10 repayments of moneys loaned under the clean energy financial  
11 assistance program shall be deposited into the fund. Section  
12 8.33 does not apply to any moneys in the fund.

13 Sec. 40. NEW SECTION. 15E.402 APPROPRIATION.

14 There is appropriated from the rebuild Iowa infrastructure  
15 fund created in section 8.57, for each fiscal year of the  
16 fiscal period beginning July 1, 2006, and ending June 30,  
17 2014, to the clean energy financial assistance fund created in  
18 section 15E.401, five million dollars.

19 This section is repealed June 30, 2014.

20 DIVISION VI

21 UNIVERSITY-BASED RESEARCH AND DEVELOPMENT

22 IOWA CENTER FOR ADVANCED RENEWABLE ENERGY

23 Sec. 41. NEW SECTION. 266.39G APPROPRIATION.

24 1. There is appropriated from the rebuild Iowa  
25 infrastructure fund created in section 8.57 for each fiscal  
26 year of the fiscal period beginning July 1, 2006, and ending  
27 June 30, 2014, to the Iowa center for advanced renewable  
28 energy fund created in section 266.39H, five million dollars.

29 2. This section is repealed July 1, 2014.

30 Sec. 42. NEW SECTION. 266.39H IOWA CENTER FOR ADVANCED  
31 RENEWABLE ENERGY FUND.

32 1. An Iowa center for advanced renewable energy fund is  
33 created in the state treasury under the control of the Iowa  
34 center for advanced renewable energy. The fund is separate  
35 from the general fund of the state.

1 2. Moneys in the Iowa center for advanced renewable energy  
2 fund are appropriated to the Iowa center for advanced  
3 renewable energy established in section 266.39I exclusively to  
4 support the advanced renewable energy financial assistance  
5 program as provided in that section.

6 Moneys in the fund shall not be transferred, used,  
7 obligated, appropriated, or otherwise encumbered except as  
8 necessary to administer the program.

9 3. a. The recaptures of moneys awarded pursuant to the  
10 program shall be deposited in the Iowa center for advanced  
11 renewable energy fund.

12 b. Notwithstanding section 8.33, any unexpended balance in  
13 the fund at the end of the fiscal year shall be retained in  
14 the fund.

15 c. Notwithstanding section 12C.7, subsection 2, interest,  
16 earnings on investments, or time deposits of the moneys in the  
17 fund shall be credited to the fund.

18 Sec. 43. NEW SECTION. 266.39I ADVANCED RENEWABLE ENERGY  
19 TECHNOLOGY RESEARCH AND DEVELOPMENT.

20 1. The Iowa center for advanced renewable energy is  
21 established at Iowa state university of science and technology  
22 to improve the economic and environmental performance and  
23 feasibility of renewable energy products and production in  
24 Iowa. The center shall conduct and sponsor research for and  
25 assist in the commercialization of renewable fuels, methane  
26 recapture, and other renewable energy conversion systems that  
27 may reduce the dependence of Iowans on petroleum, create jobs  
28 and economic growth in Iowa, and reduce the emissions of  
29 greenhouse gases.

30 2. An advanced renewable energy financial assistance  
31 program is established under the direction of the Iowa center  
32 for advanced renewable energy. The center shall provide for  
33 competitive research grants to Iowa organizations, businesses,  
34 colleges, and universities in the state for purposes of  
35 encouraging the commercialization of cellulose-based fuels,

1 biodiesel, and other renewable energy conversion systems and  
2 processes that may reduce the dependence of Iowans on  
3 petroleum, create jobs and economic growth in Iowa, and reduce  
4 the emissions of greenhouse gases.

5 DIVISION VII

6 COORDINATING PROVISIONS -- GOVERNMENT VEHICLES

7 Sec. 44. Section 8A.362, subsection 3, Code 2005, is  
8 amended to read as follows:

9 3. a. The director shall provide for a record system for  
10 the keeping of records of the total number of miles state-  
11 owned motor vehicles are driven and the per-mile cost of  
12 operation of each motor vehicle. Every state officer or  
13 employee shall keep a record book to be furnished by the  
14 director in which the officer or employee shall enter all  
15 purchases of gasoline, lubricating oil, grease, and other  
16 incidental expense in the operation of the motor vehicle  
17 assigned to the officer or employee, giving the quantity and  
18 price of each purchase, including the cost and nature of all  
19 repairs on the motor vehicle. Each operator of a state-owned  
20 motor vehicle shall promptly prepare a report at the end of  
21 each month on forms furnished by the director and forwarded to  
22 the director, giving the information the director may request  
23 in the report. Each month the director shall compile the  
24 costs and mileage of state-owned motor vehicles from the  
25 reports and keep a cost history for each motor vehicle and the  
26 costs shall be reduced to a cost-per-mile basis for each motor  
27 vehicle. The director shall call to the attention of an  
28 elected official or the head of any state agency to which a  
29 motor vehicle has been assigned any evidence of the  
30 mishandling or misuse of a state-owned motor vehicle which is  
31 called to the director's attention.

32 b. A motor vehicle operated under this subsection shall  
33 not operate on gasoline other than ethanol blended gasoline  
34 blended-with-at-least-ten-percent-ethanol as defined in  
35 section 214A.1, unless under emergency circumstances. A

1 state-issued credit card used to purchase gasoline shall not  
2 be valid to purchase gasoline other than ethanol blended  
3 ~~gasoline blended-with-at-least-ten-percent-ethanol~~, if  
4 commercially available. The motor vehicle shall also be  
5 affixed with a brightly visible sticker which notifies the  
6 traveling public that the motor vehicle is being operated on  
7 ethanol blended gasoline blended-with-ethanol. However, the  
8 sticker is not required to be affixed to an unmarked vehicle  
9 used for purposes of providing law enforcement or security.

10 Sec. 45. Section 8A.362, subsection 5, paragraph a,  
11 subparagraphs (1) and (2), Code 2005, are amended to read as  
12 follows:

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

16 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
17 ~~diesel-fuel-and-processed-soybean-oil~~ as defined in section  
18 214A.1. At-least-twenty-percent-of-the-mixed-fuel-by-volume  
19 ~~must-be-processed-soybean-oil.~~

20 Sec. 46. Section 216B.3, subsection 16, paragraph a, Code  
21 2005, is amended to read as follows:

22 a. A motor vehicle purchased by the commission shall not  
23 operate on gasoline other than ethanol blended gasoline  
24 ~~blended-with-at-least-ten-percent-ethanol~~. A state issued  
25 credit card used to purchase gasoline shall not be valid to  
26 purchase gasoline other than ethanol blended gasoline ~~blended~~  
27 ~~with-at-least-ten-percent-ethanol~~. The motor vehicle shall  
28 also be affixed with a brightly visible sticker which notifies  
29 the traveling public that the motor vehicle is being operated  
30 on ethanol blended gasoline ~~blended-with-ethanol~~. However,  
31 the sticker is not required to be affixed to an unmarked  
32 vehicle used for purposes of providing law enforcement or  
33 security.

34 Sec. 47. Section 216B.3, subsection 16, paragraph b,  
35 subparagraph (1), subparagraph subdivisions (a) and (b), Code

1 2005, are amended to read as follows:

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

5 (b) ~~A B-20 biodiesel blended fuel which is a mixture of~~  
6 ~~diesel fuel and processed soybean oil~~ as defined in section  
7 214A.1. At least twenty percent of the mixed fuel by volume  
8 must be processed soybean oil.

9 Sec. 48. Section 260C.19A, subsection 1, Code 2005, is  
10 amended to read as follows:

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

21 Sec. 49. Section 260C.19A, subsection 2, paragraph a,  
22 subparagraphs (1) and (2), Code 2005, are amended to read as  
23 follows:

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

27 (2) ~~A B-20 biodiesel blended fuel which is a mixture of~~  
28 ~~diesel fuel and processed soybean oil~~ as defined in section  
29 214A.1. At least twenty percent of the mixed fuel by volume  
30 must be processed soybean oil.

31 Sec. 50. Section 262.25A, subsection 2, Code 2005, is  
32 amended to read as follows:

33 2. A motor vehicle purchased by the institutions shall not  
34 operate on gasoline other than gasoline blended with at least  
35 ten percent ethanol. A state-issued credit card used to

1 purchase gasoline shall not be valid to purchase gasoline  
2 other than ethanol blended gasoline ~~blended-with-at-least-ten~~  
3 ~~percent-ethanol~~ as defined in section 214A.1. The motor  
4 vehicle shall also be affixed with a brightly visible sticker  
5 which notifies the traveling public that the motor vehicle is  
6 being operated on ethanol blended gasoline ~~blended-with~~  
7 ~~ethanol~~. However, the sticker is not required to be affixed  
8 to an unmarked vehicle used for purposes of providing law  
9 enforcement or security.

10 Sec. 51. Section 262.25A, subsection 3, paragraph a,  
11 subparagraphs (1) and (2), Code 2005, are amended to read as  
12 follows:

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

16 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
17 ~~processed-soybean-oil-and-diesel-fuel~~ as defined in section  
18 214A.1. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~  
19 ~~processed-soybean-oil~~.

20 Sec. 52. Section 279.34, Code 2005, is amended to read as  
21 follows:

22 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~  
23 ~~BLENDED~~ ETHANOL BLENDED GASOLINE.

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

34 Sec. 53. Section 307.21, subsection 4, paragraph d, Code  
35 2005, is amended to read as follows:

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

13 Sec. 54. Section 307.21, subsection 5, paragraph a,  
14 subparagraphs (1) and (2), Code 2005, are amended to read as  
15 follows:

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

19 (2) ~~A B-20 biodiesel blended fuel which-is-a-mixture-of~~  
20 ~~processed-soybean-oil-and-diesel-fuel~~ as defined in section  
21 214A.1. ~~At-least-twenty-percent-of-the-fuel-by-volume-must-be~~  
22 ~~processed-soybean-oil-~~

23 Sec. 55. Section 331.908, Code 2005, is amended to read as  
24 follows:

25 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
26 BLENDED ETHANOL BLENDED GASOLINE.

27 A motor vehicle purchased or used by a county to provide  
28 county services shall not ~~7-on-or-after-January-17-19937~~  
29 operate on gasoline other than ethanol blended gasoline  
30 ~~blended-with-at-least-ten-percent-ethanol~~ as defined in  
31 section 214A.1. The motor vehicle shall also be affixed with  
32 a brightly visible sticker which notifies the traveling public  
33 that the motor vehicle is being operated on ethanol blended  
34 gasoline ~~blended-with-ethanol~~. However, the sticker is not  
35 required to be affixed to an unmarked vehicle used for

1 purposes of providing law enforcement or security.

2 Sec. 56. Section 364.20, Code 2005, is amended to read as  
3 follows:

4 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
5 BLENDED ETHANOL BLENDED GASOLINE.

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

16 Sec. 57. Section 904.312A, subsection 1, Code 2005, is  
17 amended to read as follows:

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

30 Sec. 58. Section 904.312A, subsection 2, paragraph a,  
31 subparagraphs (1) and (2), Code 2005, are amended to read as  
32 follows:

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

1 (2) ~~A B-20 biodiesel blended fuel which is a mixture of~~  
2 ~~diesel fuel and processed soybean oil as defined in section~~  
3 ~~214A.1. At least twenty percent of the mixed fuel by volume~~  
4 ~~must be processed soybean oil.~~

5 DIVISION VIII

6 COORDINATING PROVISIONS -- MISCELLANEOUS

7 Sec. 59. Section 15.401, Code Supplement 2005, is amended  
8 to read as follows:

9 15.401 ~~E-85-BLENDED-GASOLINE~~ RENEWABLE FUELS.

10 1. As used in this section, unless the context otherwise  
11 requires, "biodiesel", "biodiesel blended fuel", "E-85  
12 gasoline" and "service station" mean the same as defined in  
13 section 214A.1.

14 2. The department shall provide a cost-share program for  
15 financial incentives for the installation or conversion of  
16 infrastructure used by service stations to do all of the  
17 following:

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

20 b. Install or convert infrastructure required to establish  
21 on-site and off-site terminal facilities that store biodiesel  
22 or biodiesel blended fuel for distribution to service  
23 stations.

24 3. The department shall provide for an addition of at  
25 least thirty new or converted E-85 gasoline retail outlets and  
26 four new or converted on-site or off-site terminal facilities  
27 with a maximum expenditure of three hundred twenty-five  
28 thousand dollars per year for the fiscal period beginning July  
29 1, 2005, and ending June 30, 2008. The department may provide  
30 for the marketing of these products in conjunction with this  
31 infrastructure program.

32 Sec. 60. Section 159A.2, Code 2005, is amended by adding  
33 the following new subsections:

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

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

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

5 Sec. 61. Section 159A.2, subsection 6, Code 2005, is  
6 amended by striking the subsection and inserting in lieu  
7 thereof the following:

8 6. "Renewable fuel" means the same as defined in section  
9 214A.1.

10 Sec. 62. Section 159A.2, subsection 8, Code 2005, is  
11 amended by striking the subsection.

12 Sec. 63. Section 159A.3, subsection 3, Code 2005, is  
13 amended to read as follows:

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

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

22 Sec. 64. Section 214A.19, subsection 1, unnumbered  
23 paragraph 1, Code 2005, is amended to read as follows:

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

34 Sec. 65. Section 307.20, Code 2005, is amended to read as  
35 follows:

1     307.20   BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING  
2 FUND.

3     1.   A biodiesel and biodiesel blended fuel revolving fund  
4 is created in the state treasury. The biodiesel and biodiesel  
5 blended fuel revolving fund shall be administered by the  
6 department and shall consist of moneys received from the sale  
7 of EPAct credits banked by the department on April 19, 2001,  
8 moneys appropriated by the general assembly, and any other  
9 moneys obtained or accepted by the department for deposit in  
10 the fund. Moneys in the fund are appropriated to and shall be  
11 used by the department for the purchase of biodiesel and  
12 biodiesel blended fuel for use in department vehicles. The  
13 department shall submit an annual report not later than  
14 January 31 to the members of the general assembly and the  
15 legislative services agency, of the expenditures made from the  
16 fund during the preceding fiscal year. Section 8.33 does not  
17 apply to any moneys in the fund and, notwithstanding section  
18 12C.7, subsection 2, earnings or interest on moneys deposited  
19 in the fund shall be credited to the fund.

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

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

26     a.   ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"  
27 ~~means-soydiesel-fuel~~ mean the same as defined in section  
28 ~~±59A-2~~ 214A.1.

29     b.   "EPAct credit" means a credit issued pursuant to the  
30 federal Energy Policy Act (EPAct), 42 U.S.C. § 13201 et seq.  
31     Sec. 66. Section 452A.2, subsection 2, Code Supplement  
32 2005, is amended by striking the subsection and inserting in  
33 lieu thereof the following:

34     2.   "Biodiesel" and "biodiesel blended fuel" mean the same  
35 as defined in section 214A.1.

1     Sec. 67. Section 452A.2, subsection 3, Code Supplement  
2 2005, is amended to read as follows:

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

12     Sec. 68. Section 452A.2, Code Supplement 2005, is amended  
13 by adding the following new subsection:

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

16     Sec. 69. Section 452A.2, subsection 11, Code Supplement  
17 2005, is amended to read as follows:

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

21     Sec. 70. Section 452A.2, subsection 19, unnumbered  
22 paragraph 1, Code Supplement 2005, is amended to read as  
23 follows:

24     "Motor fuel" means both motor fuel as defined in section  
25 214A.1 and includes all of the following:

26     Sec. 71. Section 452A.2, subsection 21, Code Supplement  
27 2005, is amended to read as follows:

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

1 aircraft.

2 Sec. 72. Section 452A.3, subsection 1B, Code Supplement  
3 2005, is amended to read as follows:

4 1B. An excise tax of seventeen cents is imposed on each  
5 gallon of E-85 gasoline, ~~which contains at least eighty-five~~  
6 ~~percent denatured alcohol by volume from the first day of~~  
7 ~~April until the last day of October or seventy percent~~  
8 ~~denatured alcohol from the first day of November until the~~  
9 ~~last day of March, used for the privilege of operating motor~~  
10 vehicles in this state as defined in section 214A.1, subject  
11 to the determination provided in subsection 1C.

12 Sec. 73. Section 452A.6, Code 2005, is amended to read as  
13 follows:

14 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS --  
15 BLENDER'S LICENSE.

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

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

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

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

34

DIVISION IX

35

CHANGE OF TERMS



1 propulsion), including a flexible fuel (E-85 gasoline or  
2 biodiesel blended gasoline). The alternative fuel  
3 requirements do not apply to motor vehicles purchased and  
4 directly used for law enforcement or purchased and used for  
5 off-road maintenance work or to pull loaded trailers.

6 In 2001, the general assembly enacted H.F. 716 (2001 Iowa  
7 Acts, ch. 123), which created a tax credit for retail dealers  
8 of gasoline who sell ethanol blended gasoline (containing at  
9 least 10 percent alcohol). The tax credit applies to both  
10 taxpayers filing as individuals under Code section 422.11C and  
11 businesses under Code section 422.33. Specifically, the Act  
12 provided a tax credit for a retail dealer who operates at  
13 least one service station at which more than 60 percent of the  
14 total gallons of gasoline sold by the retail dealer is ethanol  
15 blended gasoline.

16 In 2005, the general assembly enacted H.F. 868 (2005 Iowa  
17 Acts, ch. 150) imposing a special rate of 17 cents on each  
18 gallon of E-85 gasoline (a blend containing a minimum of  
19 between 75 and 85 percent alcohol depending on the season) if  
20 certain conditions were met. The Act requires the department  
21 of revenue to compare the amount of moneys actually collected  
22 using the special 17 cents rate with the amount of moneys that  
23 would have been collected if the adjusted rate applied. If  
24 the difference is equal to or greater than \$25,000, the tax  
25 rate beginning the next year is at the adjusted rate.

26 DIVISION I -- ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.  
27 This division amends Code chapter 214A, which provides  
28 authority to the department of agriculture and land  
29 stewardship to regulate the sale of motor fuel.

30 The division amends Code section 214A.1 by providing a  
31 number of definitions for "biodiesel", "biodiesel blended  
32 fuel", "ethanol", "ethanol blended gasoline", and "E-85  
33 gasoline".

34 The division amends Code section 214A.2, which provides for  
35 different types of motor fuel and establishes standards or

1 specifications for motor fuel. The division amends the  
2 section to require that ethanol blended gasoline contain a  
3 blend of at least 10 percent ethanol (the so called "E-10"  
4 standard). It designates gasoline with a minimum seasonal  
5 blend of between 75 and 85 percent or more ethanol as E-85  
6 blended gasoline based on current law (see Code Supplement  
7 section 452A.3).

8 The division establishes similar standards for biodiesel  
9 and biodiesel blended fuel. It requires that biodiesel  
10 blended fuel contain at least 1 percent biodiesel by volume.  
11 It prohibits any person from falsely advertising motor fuel,  
12 including renewable fuel, and specifically, ethanol blended  
13 gasoline and biodiesel blended gasoline. Code section 214A.11  
14 provides that any person violating the provisions of Code  
15 chapter 214A is guilty of a simple misdemeanor. A simple  
16 misdemeanor is punishable by confinement for no more than 30  
17 days or a fine of at least \$50, but not more than \$500, or by  
18 both. The bill increases that offense to a serious  
19 misdemeanor. A serious misdemeanor is punishable by  
20 confinement for no more than one year and a fine of at least  
21 \$250 but not more than \$1,500.

22 The division imposes a number of requirements of businesses  
23 which own or control service stations operated by retail  
24 dealers. The requirements are administered and enforced by  
25 the department of revenue and the department of agriculture  
26 and land stewardship working in consultation with the  
27 renewable fuels and coproducts advisory committee.

28 The division requires that businesses must sell a certain  
29 percentage of ethanol within a determination period (beginning  
30 January 1 and ending December 31). The percentage is referred  
31 to as a threshold. The division provides a number of  
32 thresholds which increase periodically according to a  
33 schedule. The thresholds are delayed for two years for small  
34 businesses (selling 500,000 gallons or less of gasoline). A  
35 threshold is based on an assumption that there is a target

1 number of state registered flexible fuel vehicles using E-85  
2 gasoline. The department of revenue may adjust a threshold if  
3 a target is not met and publish the adjusted threshold in the  
4 Iowa administrative bulletin.

5 If at the end of a determination period, a business has not  
6 met a threshold, the secretary of agriculture must issue an  
7 accelerated petroleum replacement order, unless the secretary  
8 finds a delay or suspension is warranted based on decreased  
9 ethanol inventories.

10 A dealer who is owned or controlled by such business not  
11 meeting the threshold is not eligible to claim an ethanol  
12 blended tax credit. In addition, the retail dealer is  
13 prohibited from selling gasoline other than ethanol blended  
14 gasoline, with a number of exceptions. The prohibition does  
15 not apply to gasoline used to operate aircraft, motor vehicles  
16 involved exclusively in motor sports events, or motor vehicles  
17 operating using diesel fuel. The requirement also does not  
18 apply to selling gasoline for use in certain vehicles such as  
19 antique vehicles, snowmobiles, all-terrain vehicles,  
20 watercraft, and small motors.

21 DIVISION II -- MOTOR FUEL FRANCHISE AGREEMENTS -- SUPPLIES  
22 OF E-85 GASOLINE. This division amends provisions affecting  
23 franchises of motor fuel. A franchise is a contract between  
24 persons who sell and purchase motor fuel, including refiners,  
25 distributors, and retailers.

26 Code section 323A.2 provides that when there is a hardship  
27 in a community served by a franchisee, and the franchisor  
28 cannot honor a request to deliver motor fuel to the  
29 franchisee, the franchisee may obtain the motor fuel from  
30 another source. The division provides that when a contract is  
31 entered into or renewed, it must provide for the delivery of  
32 volumes of E-85 gasoline at times demanded by the franchisee  
33 or it must allow the franchisee to purchase those volumes of  
34 E-85 gasoline at those times from another source. However, if  
35 the contract does not have an expiration date, and the

1 franchisor cannot provide for the delivery of E-85 gasoline,  
2 the franchisee may immediately obtain the E-85 gasoline from  
3 another source, without regard to the contract.

4 The division provides that if the franchisee obtains the E-  
5 85 gasoline from another source, the franchisee must provide  
6 notice to the public of its source. The franchisee must fully  
7 indemnify the franchisor against any claims for liability  
8 arising out of the use of the E-85 gasoline which was  
9 delivered by another source.

10 The division provides that a franchisor cannot terminate a  
11 contract based on a franchisee's purchase of E-85 gasoline in  
12 accordance with the division's provisions. The division also  
13 provides that a term of a contract that is inconsistent with  
14 the division is void.

15 The division takes effect upon enactment.

16 DIVISION III -- NOTICE OF FLEXIBLE FUEL MOTOR VEHICLES AND  
17 E-85 GASOLINE STATIONS. This division amends provisions in  
18 Code chapter 321 which in part currently requires the state  
19 department of transportation to maintain a records system  
20 which includes information regarding vehicles registered in  
21 this state. The system is used by counties to notify persons  
22 that they must pay an annual vehicle registration fee. The  
23 division requires that the department's system must include  
24 whether a vehicle is a flexible fuel vehicle with an engine  
25 capable of operating using E-85 gasoline. The county must  
26 provide a statement in its renewal notice informing  
27 registrants that their vehicles are flexible fuel vehicles.  
28 It also requires that the state department of transportation  
29 include information on its internet website regarding makes  
30 and models of flexible fuel vehicles and service stations  
31 which sell E-85 gasoline.

32 DIVISION IV -- RENEWABLE FUEL TAX CREDIT FOR RETAIL  
33 DEALERS. This division amends tax credit provisions in Code  
34 chapter 422 to provide that a retail dealer who sells E-85  
35 gasoline is eligible to receive a tax credit. The tax credit

1 applies to taxpayers filing as individuals or businesses. The  
2 amount of the tax credit is 10 cents multiplied by the total  
3 number of gallons of E-85 gasoline sold and dispensed through  
4 all motor fuel pumps operated at each of the taxpayer's  
5 service stations during the tax year.

6 The division provides that a retail dealer who sells  
7 biodiesel blended fuel is also eligible to receive a tax  
8 credit with similar requirements. In this case, the amount is  
9 based on the grade of biodiesel blended fuel sold and  
10 dispensed by the retail dealer and ranges from 1 to 5 cents  
11 depending upon the percentage of biodiesel contained in the  
12 biodiesel blended fuel.

13 Finally, the division provides for an E-85 gasoline  
14 infrastructure investment tax credit. The tax credit applies  
15 to a retail dealer who improves a service station by  
16 installing, converting, or replacing motor fuel storage and  
17 dispensing infrastructure as part of a process of providing  
18 for infrastructure used exclusively to store and dispense E-85  
19 gasoline at the service station. The tax credit is equal to  
20 20 percent of the amount of the investment.

21 The provisions in the division which provide tax credits to  
22 retail dealers apply to tax years beginning on or after  
23 January 1, 2006.

24 DIVISION V -- ECONOMIC DEVELOPMENT -- CLEAN ENERGY  
25 ASSISTANCE. This division requires the Iowa economic  
26 development board to establish a clean energy assistance  
27 program to provide financial assistance for the establishment  
28 or expansion of renewable energy facilities or energy-  
29 efficient products or technology in this state.

30 The division establishes a clean energy financial  
31 assistance fund under the control of the board in order to  
32 support the program. The division appropriates moneys from  
33 the rebuild Iowa infrastructure fund to the clean energy  
34 financial assistance fund. The division authorizes the  
35 economic development board to use moneys in the fund to

1 support a biorefinery.

2 DIVISION VI -- UNIVERSITY-BASED RESEARCH AND DEVELOPMENT --  
3 IOWA CENTER FOR ADVANCED RENEWABLE ENERGY. This division  
4 establishes the Iowa center for advanced renewable energy at  
5 Iowa state university of science and technology to improve the  
6 economic and environmental performance in addition to the  
7 feasibility of renewable energy products and production in  
8 this state.

9 The division establishes an Iowa center for advanced  
10 renewable energy fund under the control of the center. The  
11 fund is used to support the center and an advanced renewable  
12 energy financial assistance program. Under the program, the  
13 center provides competitive research grants to Iowa  
14 organizations, businesses, colleges, and universities in the  
15 state for purposes of encouraging the commercialization of  
16 cellulose-based fuels, biodiesel, and other renewable energy  
17 conversion systems. The fund is supported by moneys  
18 appropriated from the rebuild Iowa infrastructure fund.

19 DIVISION VII -- COORDINATING PROVISIONS -- GOVERNMENT  
20 VEHICLES. This division amends the provisions that require  
21 state and local government vehicles to operate using ethanol  
22 blended gasoline. It also amends similar provisions which  
23 require state agencies to purchase flexible fuel vehicles.  
24 The division standardizes the language and refers to common  
25 definitions as created in the division amending Code section  
26 214A.1 and related standards created in the division amending  
27 Code section 214A.2.

28 DIVISION VIII -- COORDINATING PROVISIONS -- MISCELLANEOUS.  
29 A number of provisions in the Code refer to alcohol or ethanol  
30 blended gasoline, including E-85 gasoline, and soydiesel or  
31 biofuel. This division standardizes the language and refers  
32 to common definitions as created in the division amending Code  
33 section 214A.1 and related standards created in the division  
34 amending Code section 214A.2.

35 DIVISION IX -- CHANGE OF TERMS. This division amends a

1 number of provisions by changing the term "oxygenate octane  
2 enhancer" to "oxygenate", "motor vehicle fuel" to "motor  
3 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for  
4 purposes of consistency in chapters throughout the Code, but  
5 in particular in Code chapters 214A and 452A.

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