

# Senate Study Bill 3054

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
NATURAL RESOURCES AND  
ENVIRONMENT BILL BY  
CO-CHAIRPERSONS BLACK  
AND HOUSER)

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

## A BILL FOR

1 An Act relating to renewable fuel, including ethanol blended fuel  
2 and biodiesel blended fuel, providing for tax credits, and  
3 providing penalties.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 6142XC 81  
6 da/je/5

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1 1 DIVISION I  
1 2 ESTABLISHMENT OF RENEWABLE FUEL STANDARDS  
1 3 Section 1. Section 214A.1, Code 2005, is amended by adding  
1 4 the following new subsections:  
1 5 NEW SUBSECTION. 0A. "Advertise" means to present a  
1 6 commercial message in any medium, including but not limited to  
1 7 print, radio, television, sign, display, label, tag, or  
1 8 articulation.  
1 9 NEW SUBSECTION. 1A. "Biodiesel" means a combustible  
1 10 liquid comprised of mono-alkyl esters of long chain fatty  
1 11 acids which is all of the following:  
1 12 a. A renewable fuel that is a motor fuel capable of  
1 13 powering diesel engines or aircraft engines.  
1 14 b. Processed from natural oils or fats derived from crops  
1 15 such as soybeans, vegetables, or animals.  
1 16 NEW SUBSECTION. 1B. "Biodiesel blended fuel" means a  
1 17 formulation of diesel fuel which is a liquid petroleum product  
1 18 blended with biodiesel.  
1 19 NEW SUBSECTION. 1C. "Business association" means the same  
1 20 as defined in section 202B.102.  
1 21 NEW SUBSECTION. 1D. "Committee" means the renewable fuels  
1 22 and coproducts advisory committee established pursuant to  
1 23 section 159A.4.  
1 24 NEW SUBSECTION. 1E. "Dealer" means a wholesale dealer or  
1 25 retail dealer.  
1 26 NEW SUBSECTION. 1F. "Diesel fuel" means any liquid  
1 27 product prepared, advertised, offered for sale or sold for use  
1 28 as, or commonly and commercially used as, motor fuel for use  
1 29 in an internal combustion engine and ignited by pressure  
1 30 without the presence of an electric spark.  
1 31 NEW SUBSECTION. 1G. "E=85 gasoline" means ethanol blended  
1 32 gasoline formulated with a minimum percentage of between  
1 33 seventy-five and eighty-five percent by volume of ethanol, if  
1 34 the formulation meets the standards provided in section  
1 35 214A.2.  
2 1 NEW SUBSECTION. 1H. "Ethanol" means ethyl alcohol that is  
2 2 denatured as required in 23 C.F.R., pts. 20 and 21, for use as  
2 3 an oxygenate in gasoline.  
2 4 NEW SUBSECTION. 1I. "Ethanol blended gasoline" means a  
2 5 formulation of gasoline which is a liquid petroleum product  
2 6 blended with ethanol, if the formulation meets the standards  
2 7 provided in section 214A.2.  
2 8 NEW SUBSECTION. 1J. "Gasoline" means any liquid product  
2 9 prepared, advertised, offered for sale or sold for use as, or  
2 10 commonly and commercially used as, motor vehicle fuel for use  
2 11 in a spark-ignition, internal combustion engine, and which  
2 12 meets the specifications provided in section 214A.2.  
2 13 NEW SUBSECTION. 1K. "Motor fuel pump" means the same as

2 14 defined in section 214.1.

2 15 NEW SUBSECTION. 1L. "Motor fuel retail business" or  
2 16 "business" means a person who is a retail dealer or who  
2 17 exercises control over the management decisions of a retail  
2 18 dealer, including any business association, which owns or  
2 19 controls one or more service stations.

2 20 NEW SUBSECTION. 5A. "Renewable fuel" means a combustible  
2 21 liquid derived from grain starch, oilseed, animal fat, or  
2 22 other biomass; or produced from a biogas source, including any  
2 23 nonfossilized decaying organic matter which is capable of  
2 24 powering machinery, including but not limited to an engine or  
2 25 power plant. Renewable fuel includes but is not limited to  
2 26 ethanol blended gasoline, biodiesel, or biodiesel blended fuel  
2 27 meeting the standards of section 214A.2.

2 28 NEW SUBSECTION. 7A. "Service station" means each  
2 29 geographic location in this state where a retail dealer sells  
2 30 and dispenses motor fuel on a retail basis.

2 31 Sec. 2. Section 214A.1, subsection 2, Code 2005, is  
2 32 amended to read as follows:

2 33 2. "Motor ~~vehicle~~ fuel" means a substance or combination  
2 34 of substances which is intended to be or is capable of being  
2 35 used for the purpose of ~~propelling or running by combustion~~  
~~any of operating an internal combustion engine, including but~~  
~~not limited to a motor vehicle, and is kept for sale or sold~~  
3 3 for that purpose. ~~The products commonly known as kerosene and~~  
~~distillate or petroleum products of lower gravity (Baume~~  
~~scale), when not used to propel a motor vehicle or for~~  
~~compounding or combining with a motor vehicle fuel, are exempt~~  
~~from this chapter except as provided in section 214A.2A.~~

3 8 Sec. 3. Section 214A.1, subsections 6 and 8, Code 2005,  
3 9 are amended by striking the subsections and inserting in lieu  
3 10 thereof the following:

3 11 6. "Retail dealer" means a person who operates a place of  
3 12 business where motor fuel is stored and dispensed from a motor  
3 13 fuel pump for sale on a retail basis, including a service  
3 14 station or mobile location.

3 15 8. "Wholesale dealer" means a person, other than a retail  
3 16 dealer, who operates a place of business where motor fuel is  
3 17 stored and dispensed for sale in this state, including a  
3 18 permanent or mobile location.

3 19 Sec. 4. Section 214A.2, subsection 1, Code 2005, is  
3 20 amended to read as follows:

3 21 1. The ~~secretary department~~ shall adopt rules pursuant to  
3 22 chapter 17A for carrying out this chapter. The rules may  
3 23 include, but are not limited to, specifications relating to  
3 24 motor fuel ~~or oxygenate octane enhancers, including but not~~  
~~limited to gasoline or renewable fuel such as ethanol blended~~  
~~gasoline and its components such as an oxygenate or other~~  
~~additive.~~ In the interest of uniformity, the ~~secretary~~  
3 28 ~~department~~ shall adopt by reference or otherwise  
3 29 specifications relating to tests and standards for motor fuel  
3 30 ~~or oxygenate octane enhancers including renewable fuel,~~  
3 31 established by ~~the United States environmental protection~~  
~~agency or A.S.T.M. (American society for testing and~~  
~~materials) international, unless the secretary department~~  
3 34 determines ~~that~~ those specifications are inconsistent with  
3 35 this chapter or are not appropriate to the conditions which  
4 1 exist in this state. ~~The department shall consult with the~~  
4 2 ~~committee when establishing the standards.~~

4 3 Sec. 5. Section 214A.2, Code 2005, is amended by adding  
4 4 the following new subsection:

4 5 NEW SUBSECTION. 2A. a. For motor fuel advertised for  
4 6 sale or sold as gasoline by a dealer, the motor fuel must meet  
4 7 registration requirements for fuels and fuel additives  
4 8 established by the United States environmental protection  
4 9 agency including as provided under 42 U.S.C. } 7545.

4 10 b. If the motor fuel is advertised for sale or sold as  
4 11 ethanol blended gasoline, the gasoline must comply with  
4 12 departmental standards which to every extent feasible shall  
4 13 comply with specifications adopted by A.S.T.M. international.  
4 14 For ethanol blended gasoline, all of the following shall  
4 15 apply:

4 16 (1) For ethanol blended gasoline other than E=85 gasoline,  
4 17 at least ten percent of the gasoline by volume must be  
4 18 ethanol.

4 19 (2) For E=85 gasoline all of the following must apply:

4 20 (a) From the first day of April until the last day of  
4 21 October, at least eighty=five percent of the gasoline by  
4 22 volume must be ethanol.

4 23 (b) From the first day of November until the last day of  
4 24 March, at least seventy=five percent of the gasoline by volume

4 25 must be ethanol.

4 26 (3) In calculating the percentage of ethanol required for  
4 27 the formulation of ethanol blended gasoline fuel, a percentage  
4 28 of a denaturant or contaminants permitted in the ethanol  
4 29 blended gasoline may be excluded as provided by rules adopted  
4 30 by the department.

4 31 Sec. 6. Section 214A.2, subsection 3, Code 2005, is  
4 32 amended by striking the subsection.

4 33 Sec. 7. Section 214A.2A, Code 2005, is amended to read as  
4 34 follows:

4 35 214A.2A KEROSENE LABELING.

5 1 1. Fuel which is sold or is kept, offered, or exposed for  
5 2 sale as kerosene shall be labeled as kerosene. The label  
5 3 shall include the word "kerosene" and a designation as either  
5 4 "K1" or "K2", and shall indicate that the kerosene is in  
5 5 compliance with the standard specification adopted by the  
5 6 A.S.T.M. ~~in~~ international specification D=3699 (1982).

5 7 2. ~~A product commonly known as kerosene and distillate or~~  
5 8 ~~a petroleum product of lower gravity (Baume scale), when not~~  
5 9 ~~used to propel a motor vehicle or for compounding or combining~~  
5 10 ~~with a motor fuel, are exempt from this chapter except as~~  
5 11 ~~provided in this section.~~

5 12 Sec. 8. Section 214A.3, Code 2005, is amended to read as  
5 13 follows:

5 14 214A.3 FALSE REPRESENTATIONS ADVERTISING.

5 15 A person for purposes of selling shall not falsely  
5 16 represent do any of the following:

5 17 1. ~~Falsely advertise the quality or kind of any motor~~  
5 18 ~~vehicle fuel or oxygenate octane enhancer or add which may be~~  
5 19 ~~added to motor fuel.~~

5 20 2. ~~Falsely advertise that a motor fuel is a renewable~~  
5 21 ~~fuel. The dealer shall not advertise the sale of motor fuel~~  
5 22 ~~using the term "ethanol", "E-85", or use any derivative,~~  
5 23 ~~plural, or compound of any such word unless the motor vehicle~~  
5 24 ~~fuel meets the standards provided in section 214A.2.~~

5 25 3. ~~Add a coloring matter thereto to motor fuel for the~~  
5 26 ~~purpose of misleading the public as to its quality.~~

#### 5 27 SUBCHAPTER 2

#### 5 28 PETROLEUM REPLACEMENT INITIATIVE

5 29 Sec. 9. NEW SECTION. 214A.31 RENEWABLE FUELS SOLD AND  
5 30 DISPENSED DURING A DETERMINATION PERIOD.

5 31 For each determination period beginning January 1 and  
5 32 ending December 31, the department of revenue shall obtain  
5 33 information regarding the distribution of renewable fuels  
5 34 dispensed from motor fuel pumps located at service stations in  
5 35 this state, including information required to calculate all of  
6 1 the following:

6 2 1. The aggregate distribution percentage for a motor fuel  
6 3 retail business, which is the total number of gallons of  
6 4 ethanol sold and dispensed as a formulation of ethanol blended  
6 5 gasoline from motor fuel pumps located at all service stations  
6 6 owned or controlled by the motor fuel retail business in this  
6 7 state as expressed as a percentage of the total number of  
6 8 gallons of gasoline sold and dispensed from all motor fuel  
6 9 pumps located at all service stations owned or controlled by  
6 10 the motor fuel retail business in this state, which percentage  
6 11 is used in determining whether the motor fuel retail business  
6 12 meets the threshold as provided in the petroleum replacement  
6 13 schedule established pursuant to sections 214A.33 and 214A.34.

6 14 2. The total number of gallons of biodiesel sold and  
6 15 dispensed as a formulation of biodiesel blended fuel from  
6 16 motor fuel pumps located at all service stations owned or  
6 17 controlled by a motor fuel retail business in this state,  
6 18 which is used in determining whether the motor fuel retail  
6 19 business meets the threshold as provided in the petroleum  
6 20 replacement schedule established pursuant to sections 214A.33  
6 21 and 214A.34.

6 22 Sec. 10. NEW SECTION. 214A.32 RENEWABLE FUELS SOLD AND  
6 23 DISPENSED DURING A DETERMINATION PERIOD == REPORT.

6 24 1. The department of agriculture and land stewardship, in  
6 25 cooperation with the committee, and the department of revenue  
6 26 shall jointly monitor the progress of each motor fuel retail  
6 27 business in meeting the thresholds as provided in the  
6 28 petroleum replacement schedule established pursuant to  
6 29 sections 214A.33 and 214A.34.

6 30 2. On or before February 1 following a determination  
6 31 period, the department of revenue shall send a report which  
6 32 compiles the information obtained pursuant to section 214A.31  
6 33 to the department of agriculture and land stewardship and the  
6 34 fiscal services division of the legislative services agency.  
6 35 The report shall state whether the aggregate distribution

7 1 percentage for each motor fuel retail business for the  
7 2 determination period meets the threshold required as provided  
7 3 in section 214A.33, and if the threshold is not met, the  
7 4 amount of additional renewable fuel required to be sold and  
7 5 dispensed from all motor fuel pumps located at all service  
7 6 stations owned or controlled by each motor fuel retail  
7 7 business in order to meet the threshold.

7 8 Sec. 11. NEW SECTION. 214A.33 PETROLEUM REPLACEMENT  
7 9 SCHEDULE.

7 10 A petroleum replacement schedule is established based on  
7 11 aggregate distribution percentages calculated by the  
7 12 department of revenue for each determination period pursuant  
7 13 to section 214A.31.

7 14 1. a. For a motor fuel retail business that sells and  
7 15 dispenses more than five hundred thousand gallons of gasoline,  
7 16 all of the following shall apply:

7 17 (1) For each determination period in the period beginning  
7 18 January 1, 2008, and ending December 31, 2009, the threshold  
7 19 for the aggregate distribution percentage must be ten percent.

7 20 (2) For each determination period in the period beginning  
7 21 January 1, 2010, and ending December 31, 2011, the threshold  
7 22 for the aggregate distribution percentage must be fifteen  
7 23 percent.

7 24 (3) For each determination period in the period beginning  
7 25 January 1, 2012, and ending December 31, 2014, the threshold  
7 26 for the aggregate distribution percentage must be twenty  
7 27 percent.

7 28 (4) For each determination period beginning on or after  
7 29 January 1, 2015, the threshold for the aggregate distribution  
7 30 percentage must be twenty-five percent.

7 31 b. If a business does not meet a threshold for a  
7 32 determination period as provided in paragraph "a", each gallon  
7 33 of biodiesel that is sold and dispensed as a formulation of  
7 34 biodiesel blended fuel from motor fuel pumps located at all  
7 35 service stations owned or controlled by the motor fuel retail  
8 1 business shall be counted as a gallon of ethanol.

8 2 2. a. For a motor fuel retail business that sells and  
8 3 dispenses five hundred thousand gallons of gasoline or less,  
8 4 all of the following shall apply:

8 5 (1) For each determination period in the period beginning  
8 6 January 1, 2010, and ending December 31, 2011, the threshold  
8 7 for the aggregate distribution percentage must be ten percent.

8 8 (2) For each determination period in the period beginning  
8 9 January 1, 2012, and ending December 31, 2013, the threshold  
8 10 for the aggregate distribution percentage must be fifteen  
8 11 percent.

8 12 (3) For each determination period in the period beginning  
8 13 January 1, 2014, and ending December 31, 2016, the threshold  
8 14 for the aggregate distribution percentage must be twenty  
8 15 percent.

8 16 (4) For each determination period in the period beginning  
8 17 on or after January 1, 2017, the threshold for the aggregate  
8 18 distribution percentage must be twenty-five percent.

8 19 b. If a motor fuel retail business does not meet a  
8 20 threshold for a determination period as provided in paragraph  
8 21 "a", each gallon of biodiesel that is sold and dispensed as a  
8 22 formulation of biodiesel blended fuel from motor fuel pumps  
8 23 located at all service stations owned or controlled by the  
8 24 motor fuel retail business shall be counted as a gallon of  
8 25 ethanol.

8 26 Sec. 12. NEW SECTION. 214A.34 PETROLEUM REPLACEMENT  
8 27 SCHEDULE == ADJUSTMENT.

8 28 1. A threshold for an aggregate distribution percentage  
8 29 for a determination period established in the petroleum  
8 30 replacement schedule provided in section 214A.33 shall be  
8 31 based on an assumption that a target number of flexible fuel  
8 32 vehicles using E-85 gasoline are registered under chapter 321.

8 33 The target numbers of flexible fuel vehicles are as  
8 34 follows:

8 35 a. On December 1 of 2010 and 2011, three hundred ninety=  
9 1 five thousand.

9 2 b. On December 1 of 2012 through 2014, five hundred fifty  
9 3 thousand.

9 4 c. On December 1 of 2015 and each year after that, eight  
9 5 hundred twenty-five thousand.

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

9 12 of flexible fuel vehicles were registered and adjust the  
9 13 threshold for the aggregate distribution percentage  
9 14 proportionally to account for the decrease in ethanol use.

9 15 Sec. 13. NEW SECTION. 214A.35 PUBLICATION OF THE  
9 16 PETROLEUM REPLACEMENT SCHEDULE THRESHOLD.

9 17 The department shall state the total number of flexible  
9 18 fuel vehicles registered on December 1 of each year, whether  
9 19 the target number of flexible fuel vehicles have been  
9 20 registered as provided in section 214A.34, and the threshold  
9 21 for the aggregate distribution percentage for the following  
9 22 determination period as provided in section 214A.33. If the  
9 23 department of revenue is required to adjust a threshold for  
9 24 the aggregate distribution percentage for a determination  
9 25 period as provided in section 214A.34, the department shall  
9 26 state the adjusted threshold. The statements shall be  
9 27 delivered to the administrative code editor by December 10 for  
9 28 publication in the next edition of the Iowa administrative  
9 29 bulletin.

9 30 Sec. 14. NEW SECTION. 214A.36 FAILURE TO COMPLY WITH  
9 31 PETROLEUM REPLACEMENT SCHEDULE == PETROLEUM REPLACEMENT ORDER.

9 32 If at the end of a determination period a motor fuel retail  
9 33 business has not met a threshold for the aggregate  
9 34 distribution percentage for the determination period as  
9 35 published in the Iowa administrative bulletin pursuant to  
10 1 section 214A.35, the secretary shall issue an accelerated  
10 2 petroleum replacement order after consulting with the  
10 3 committee and the department of revenue.

10 4 1. a. The secretary shall deliver the order to each motor  
10 5 fuel retail business that fails to meet the threshold.

10 6 b. The secretary shall compile a report listing each motor  
10 7 fuel retail business that fails to meet the threshold. The  
10 8 report shall be delivered to all of the following:

10 9 (1) The secretary of the senate and the chief clerk of the  
10 10 house of representatives.

10 11 (2) The office of attorney general.

10 12 (3) The department of revenue.

10 13 (4) The fiscal services division of the legislative  
10 14 services agency.

10 15 c. The accelerated petroleum replacement order shall take  
10 16 effect as provided in the order but no later than thirty days  
10 17 following the order's issuance.

10 18 d. The secretary may delay issuing the order or may  
10 19 suspend the effectiveness of the order for up to twelve months  
10 20 if the secretary determines that a shortage in the production  
10 21 biomass feedstock will result in a dramatic decrease in  
10 22 ethanol inventories.

10 23 2. If the secretary issues a petroleum replacement order,  
10 24 all of the following shall apply:

10 25 a. The motor fuel retail business that fails to meet the  
10 26 threshold shall be subject to a civil penalty of ten cents for  
10 27 each gallon of ethanol required to meet the threshold. The  
10 28 civil penalty shall be assessed by the department of  
10 29 agriculture and land stewardship and deposited in the general  
10 30 fund of the state. The civil penalties shall be deposited in  
10 31 the general fund of the state.

10 32 b. The motor fuel retail business that fails to meet the  
10 33 threshold, including each motor fuel retail business owned or  
10 34 controlled by a retail dealer, shall not be eligible to claim  
10 35 an ethanol blended gasoline tax credit as provided in sections  
11 1 422.11C or 422.33 for any part of the tax year which is  
11 2 subject to the petroleum replacement order.

11 3 c. (1) Except as provided in subparagraph (2), a retail  
11 4 dealer that is owned or controlled by a motor fuel retail  
11 5 business which fails to meet the threshold shall not advertise  
11 6 for sale, sell, or dispense gasoline other than ethanol  
11 7 blended gasoline in this state.

11 8 (2) A retail dealer may advertise for sale, sell, or  
11 9 dispense gasoline, other than ethanol blended gasoline, in  
11 10 this state if both of the following apply:

11 11 (a) The gasoline is used to operate one of the following  
11 12 motor vehicles:

11 13 (i) An aircraft as defined in section 328.1.

11 14 (ii) A motor vehicle used exclusively for motor sports,  
11 15 including on a raceway, if the motor vehicle cannot operate on  
11 16 a highway as provided in chapter 321 or rules adopted by the  
11 17 state department of transportation.

11 18 (iii) An antique vehicle registered under section 321.115.

11 19 (iv) A snowmobile as defined in section 321G.1.

11 20 (v) An all-terrain vehicle as defined in section 321G.1.

11 21 (vi) A watercraft as defined in section 462A.2.

11 22 (vii) A small motor such as a lawnmower motor.

11 23 (b) The retail dealer does not use more than one motor  
11 24 fuel pump located at a service station to sell and dispense  
11 25 the gasoline.  
11 26 Sec. 15. Section 422.11C, Code 2005, is amended by adding  
11 27 the following new subsection:  
11 28 NEW SUBSECTION. 6. A taxpayer shall not be eligible to  
11 29 claim the tax credit for any part of the tax year which is  
11 30 subject to a petroleum replacement order that applies to the  
11 31 retail dealer as provided in section 214A.36.

11 32 Sec. 16. Section 422.33, subsection 11, Code Supplement  
11 33 2005, is amended by adding the following new paragraph:

11 34 NEW PARAGRAPH. e. A taxpayer shall not be eligible to  
11 35 claim the tax credit for any part of the tax year which is  
12 1 subject to a petroleum replacement order that applies to the  
12 2 retail dealer as provided in section 214A.36.

12 3 Sec. 17. Section 452A.3, subsection 1B, Code Supplement  
12 4 2005, is amended to read as follows:

12 5 1B. An excise tax of seventeen cents is imposed on each  
12 6 gallon of E=85 gasoline, ~~which contains at least eighty-five~~  
~~12 7 percent denatured alcohol by volume from the first day of~~  
~~12 8 April until the last day of October or seventy percent~~  
~~12 9 denatured alcohol from the first day of November until the~~  
~~12 10 last day of March, used for the privilege of operating motor~~  
~~12 11 vehicles in this state as defined in section 214A.1.~~

12 12 DIVISION II

12 13 RENEWABLE FUEL TAX CREDIT FOR RETAIL DEALERS

12 14 Sec. 18. Section 422.11C, subsection 1, paragraphs a  
12 15 through g, Code 2005, are amended by striking the paragraphs  
12 16 and inserting in lieu thereof the following:

12 17 a. "E=85 gasoline", "ethanol blended gasoline",  
12 18 "gasoline", "retail dealer", and "service station" mean the  
12 19 same as defined in section 214A.1.

12 20 b. "Motor fuel pump" means the same as defined in section  
12 21 214.1.

12 22 c. "Sell" means to sell on a retail basis.

12 23 d. "Tax credit" means the designated ethanol blended  
12 24 gasoline tax credit as provided in this section.

12 25 Sec. 19. Section 422.11C, subsection 2, paragraph b, Code  
12 26 2005, is amended to read as follows:

12 27 b. The taxpayer operates at least one service station at  
12 28 which more than sixty percent of the total gallons of gasoline  
12 29 sold and dispensed through one or more metered motor fuel  
12 30 pumps by the taxpayer in the tax year is ethanol blended  
12 31 gasoline.

12 32 Sec. 20. Section 422.11C, subsection 3, Code 2005, is  
12 33 amended to read as follows:

12 34 3. a. The tax credit shall be calculated separately for  
12 35 each service station site operated by the taxpayer.

13 1 b. The amount of the tax credit for each eligible service  
13 2 station is two and one-half cents multiplied by the total  
13 3 number of gallons of ethanol blended gasoline sold and  
13 4 dispensed through all metered motor fuel pumps located at that  
13 5 service station during the tax year in excess of sixty percent  
13 6 of all gasoline sold and dispensed through metered motor fuel  
13 7 pumps at that service station during the tax year.

13 8 c. ~~The tax credit is not allowed for a gallon of E=85~~  
~~13 9 gasoline sold and distributed through a motor fuel pump~~  
~~13 10 located at a service station if the taxpayer claims an E=85~~  
~~13 11 gasoline tax credit for that same gallon of E=85 gasoline as~~  
~~13 12 provided in section 422.11M in the same tax year.~~

13 13 Sec. 21. NEW SECTION. 422.11M E=85 GASOLINE TAX CREDIT.

13 14 1. As used in this section, unless the context otherwise  
13 15 requires:

13 16 a. "E=85 gasoline", "retail dealer", and "service station"  
13 17 mean the same as defined in section 214A.1.

13 18 b. "Motor fuel pump" means the same as defined in section  
13 19 214.1.

13 20 c. "Sell" means to sell on a retail basis.

13 21 d. "Tax credit" means an E=85 gasoline tax credit as  
13 22 provided in this section.

13 23 2. The taxes imposed under this division, less the credits  
13 24 allowed under sections 422.12 and 422.12B, shall be reduced by  
13 25 the amount of the E=85 gasoline tax credit for each tax year  
13 26 that the taxpayer is eligible to claim under this section.

13 27 a. In order to be eligible, all of the following must  
13 28 apply:

13 29 (1) The taxpayer is a retail dealer who owns or operates  
13 30 at least one service station at which E=85 gasoline is sold  
13 31 and dispensed through a motor fuel pump in the tax year in  
13 32 which the tax credit is claimed.

13 33 (2) The taxpayer complies with requirements of the

13 34 department established to administer this section.

13 35 b. The tax credit shall be calculated for each service  
14 1 station owned or operated by the taxpayer in the tax year in  
14 2 which the tax credit is claimed. The amount of the tax credit  
14 3 is calculated by multiplying a designated rate by the total  
14 4 number of gallons of E-85 gasoline sold and dispensed through  
14 5 all motor fuel pumps located at that service station during  
14 6 the tax year. The designated rate is as follows:

14 7 (1) Ten cents per gallon of E-85 gasoline for each tax  
14 8 year of the period beginning January 1, 2007, and ending  
14 9 December 31, 2016.

14 10 (2) Five cents per gallon of E-85 gasoline for each tax  
14 11 year beginning on or after January 1, 2017.

14 12 3. Any credit in excess of the taxpayer's tax liability  
14 13 shall be refunded. In lieu of claiming a refund, the taxpayer  
14 14 may elect to have the overpayment shown on the taxpayer's  
14 15 final, completed return credited to the tax liability for the  
14 16 following tax year.

14 17 4. An individual may claim the tax credit allowed a  
14 18 partnership, limited liability company, S corporation, estate,  
14 19 or trust electing to have the income taxed directly to the  
14 20 individual. The amount claimed by the individual shall be  
14 21 based upon the pro rata share of the individual's earnings of  
14 22 the partnership, limited liability company, S corporation,  
14 23 estate, or trust.

14 24 Sec. 22. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX  
14 25 CREDIT.

14 26 1. As used in this section, unless the context otherwise  
14 27 requires:

14 28 a. "Biodiesel blended fuel", "diesel fuel", "retail  
14 29 dealer", and "service station" mean the same as defined in  
14 30 section 214A.1.

14 31 b. "Motor fuel pump" means the same as defined in section  
14 32 214.1.

14 33 c. "Sell" means to sell on a retail basis.

14 34 d. "Tax credit" means a biodiesel blended fuel tax credit  
14 35 as provided in this section.

15 1 2. The taxes imposed under this division, less the credits  
15 2 allowed under sections 422.12 and 422.12B, shall be reduced by  
15 3 the amount of the biodiesel blended fuel tax credit for each  
15 4 tax year that the taxpayer is eligible to claim under this  
15 5 subsection.

15 6 a. In order to be eligible, all of the following must  
15 7 apply:

15 8 (1) The taxpayer is a retail dealer who owns or operates  
15 9 at least one service station at which biodiesel blended fuel  
15 10 is sold and dispensed through a motor fuel pump in the tax  
15 11 year in which the tax credit is claimed.

15 12 (2) The taxpayer complies with requirements of the  
15 13 department established to administer this section.

15 14 b. The tax credit shall be calculated for each service  
15 15 station owned or operated by the taxpayer in the tax year in  
15 16 which the tax credit is claimed. The tax credit shall apply  
15 17 to biodiesel blended fuel formulated with a minimum percentage  
15 18 of two percent by volume of biodiesel, if the formulation  
15 19 meets the standards provided in section 214A.2. The amount of  
15 20 the tax credit is calculated by multiplying a designated rate  
15 21 by the total number of gallons of biodiesel blended fuel sold  
15 22 and dispensed through all motor fuel pumps located at that  
15 23 service station during the tax year. The designated rate is  
15 24 as follows:

15 25 (1) Three cents per gallon of biodiesel for all gallons of  
15 26 biodiesel blended fuel which is fifty percent or more but less  
15 27 than sixty percent of all diesel fuel sold and dispensed  
15 28 through the motor fuel pumps at the service station.

15 29 (2) Four cents per gallon of biodiesel for all gallons of  
15 30 biodiesel blended fuel which is sixty percent or more but less  
15 31 than seventy percent of all diesel fuel sold and dispensed  
15 32 through the motor fuel pumps at the service station.

15 33 (3) Five cents per gallon of biodiesel for all gallons of  
15 34 biodiesel blended fuel which is seventy percent or more of all  
15 35 diesel fuel sold and dispensed through the motor fuel pumps at  
16 1 the service station.

16 2 3. Any credit in excess of the taxpayer's tax liability  
16 3 shall be refunded. In lieu of claiming a refund, the taxpayer  
16 4 may elect to have the overpayment shown on the taxpayer's  
16 5 final, completed return credited to the tax liability for the  
16 6 following tax year.

16 7 4. An individual may claim the tax credit allowed a  
16 8 partnership, limited liability company, S corporation, estate,  
16 9 or trust electing to have the income taxed directly to the

16 10 individual. The amount claimed by the individual shall be  
16 11 based upon the pro rata share of the individual's earnings of  
16 12 the partnership, limited liability company, S corporation,  
16 13 estate, or trust.

16 14 Sec. 23. Section 422.33, subsection 11, paragraph a,  
16 15 subparagraph (1), Code Supplement 2005, is amended to read as  
16 16 follows:

16 17 (1) ~~"Ethanol "E=85 gasoline", "ethanol blended gasoline",~~  
16 18 ~~"gasoline", "metered pump", "motor fuel pump", "retail~~  
16 19 ~~dealer", "sell", and "service station" mean the same as~~  
16 20 ~~defined in section 422.11C.~~

16 21 Sec. 24. Section 422.33, subsection 11, paragraph b,  
16 22 subparagraph (2), Code Supplement 2005, is amended to read as  
16 23 follows:

16 24 (2) The taxpayer operates at least one service station at  
16 25 which more than sixty percent of the total gallons of gasoline  
16 26 sold and dispensed through one or more ~~metered motor fuel~~  
16 27 pumps by the taxpayer is ethanol blended gasoline.

16 28 Sec. 25. Section 422.33, subsection 11, paragraph c, Code  
16 29 Supplement 2005, is amended to read as follows:

16 30 c. (1) The tax credit shall be calculated separately for  
16 31 each service station site operated by the taxpayer.

16 32 (2) The amount of the tax credit for each eligible service  
16 33 station is two and one-half cents multiplied by the total  
16 34 number of gallons of ethanol blended gasoline sold and  
16 35 dispensed through all ~~metered motor fuel~~ pumps located at that  
17 1 service station during the tax year in excess of sixty percent  
17 2 of all gasoline sold and dispensed through ~~metered motor fuel~~  
17 3 pumps at that service station during the tax year.

17 4 (3) ~~The tax credit is not allowed for a gallon of E=85~~  
17 5 ~~gasoline sold and distributed through a motor fuel pump~~

17 6 ~~located at a service station if the taxpayer claims an E=85~~  
17 7 ~~gasoline tax credit for that same gallon of E=85 gasoline as~~  
17 8 ~~provided in this section in the same tax year.~~

17 9 Sec. 26. Section 422.33, Code Supplement 2005, is amended  
17 10 by adding the following new subsection.

17 11 NEW SUBSECTION. 11A. The taxes imposed under this  
17 12 division shall be reduced by an E=85 gasoline tax credit for  
17 13 each tax year that the taxpayer is eligible to claim the tax  
17 14 credit under this subsection.

17 15 a. The taxpayer may claim the E=85 gasoline tax credit  
17 16 according to the same requirements, for the same amount, and  
17 17 calculated in the same manner, as provided for the E=85  
17 18 gasoline tax credit pursuant to section 422.11M.

17 19 b. Any E=85 gasoline tax credit which is in excess of the  
17 20 taxpayer's tax liability shall be refunded or may be shown on  
17 21 the taxpayer's final, completed return credited to the tax  
17 22 liability for the following tax year in the same manner as  
17 23 provided in section 422.11M.

17 24 Sec. 27. Section 422.33, Code Supplement 2005, is amended  
17 25 by adding the following new subsection.

17 26 NEW SUBSECTION. 11B. The taxes imposed under this  
17 27 division shall be reduced by a biodiesel blended fuel tax  
17 28 credit for each tax year that the taxpayer is eligible to  
17 29 claim the tax credit under this subsection.

17 30 a. The taxpayer may claim the biodiesel blended fuel tax  
17 31 credit according to the same requirements, for the same  
17 32 amount, and calculated in the same manner, as provided for the  
17 33 biodiesel blended fuel tax credit pursuant to section 422.11N.

17 34 b. Any biodiesel blended fuel tax credit which is in  
17 35 excess of the taxpayer's tax liability shall be refunded or  
18 1 may be shown on the taxpayer's final, completed return  
18 2 credited to the tax liability for the following tax year in  
18 3 the same manner as provided in section 422.11N.

18 4 Sec. 28. APPLICABILITY DATE. Sections 422.11M and  
18 5 422.11N, as enacted in this Act, and section 422.33,  
18 6 subsections 11A and 11B, as enacted in this Act, apply to tax  
18 7 years beginning on or after January 1, 2007.

18 8 DIVISION III  
18 9 COORDINATING PROVISIONS == GOVERNMENT VEHICLES

18 10 Sec. 29. Section 8A.362, subsection 3, Code 2005, is  
18 11 amended to read as follows:

18 12 3. a. The director shall provide for a record system for  
18 13 the keeping of records of the total number of miles state=  
18 14 owned motor vehicles are driven and the per=mile cost of  
18 15 operation of each motor vehicle. Every state officer or  
18 16 employee shall keep a record book to be furnished by the  
18 17 director in which the officer or employee shall enter all  
18 18 purchases of gasoline, lubricating oil, grease, and other  
18 19 incidental expense in the operation of the motor vehicle  
18 20 assigned to the officer or employee, giving the quantity and



18 21 price of each purchase, including the cost and nature of all  
18 22 repairs on the motor vehicle. Each operator of a state-owned  
18 23 motor vehicle shall promptly prepare a report at the end of  
18 24 each month on forms furnished by the director and forwarded to  
18 25 the director, giving the information the director may request  
18 26 in the report. Each month the director shall compile the  
18 27 costs and mileage of state-owned motor vehicles from the  
18 28 reports and keep a cost history for each motor vehicle and the  
18 29 costs shall be reduced to a cost-per-mile basis for each motor  
18 30 vehicle. The director shall call to the attention of an  
18 31 elected official or the head of any state agency to which a  
18 32 motor vehicle has been assigned any evidence of the  
18 33 mishandling or misuse of a state-owned motor vehicle which is  
18 34 called to the director's attention.

18 35 b. A motor vehicle operated under this subsection shall  
19 1 not operate on gasoline other than ethanol blended gasoline  
19 2 ~~blended with at least ten percent ethanol~~, unless under  
19 3 emergency circumstances. A state-issued credit card used to  
19 4 purchase gasoline shall not be valid to purchase gasoline  
19 5 other than ethanol blended gasoline ~~blended with at least ten~~  
~~19 6 percent ethanol as defined in section 214A.1~~, if commercially  
19 7 available. The motor vehicle shall also be affixed with a  
19 8 brightly visible sticker which notifies the traveling public  
19 9 that the motor vehicle is being operated on ethanol blended  
19 10 gasoline ~~blended with ethanol~~. However, the sticker is not  
19 11 required to be affixed to an unmarked vehicle used for  
19 12 purposes of providing law enforcement or security.

19 13 Sec. 30. Section 216B.3, subsection 16, paragraph a, Code  
19 14 2005, is amended to read as follows:

19 15 a. A motor vehicle purchased by the commission shall not  
19 16 operate on gasoline other than ethanol blended gasoline  
19 17 ~~blended with at least ten percent ethanol as defined in~~  
~~19 18 section 214A.1~~. A state issued credit card used to purchase  
19 19 gasoline shall not be valid to purchase gasoline other than  
19 20 ethanol blended gasoline ~~blended with at least ten percent~~  
~~19 21 ethanol~~. The motor vehicle shall also be affixed with a  
19 22 brightly visible sticker which notifies the traveling public  
19 23 that the motor vehicle is being operated on ethanol blended  
19 24 gasoline ~~blended with ethanol~~. However, the sticker is not  
19 25 required to be affixed to an unmarked vehicle used for  
19 26 purposes of providing law enforcement or security.

19 27 Sec. 31. Section 260C.19A, subsection 1, Code 2005, is  
19 28 amended to read as follows:

19 29 1. A motor vehicle purchased by or used under the  
19 30 direction of the board of directors to provide services to a  
19 31 merged area shall not operate on gasoline other than ethanol  
~~19 32 blended~~ gasoline ~~blended with at least ten percent ethanol as~~  
~~19 33 defined in section 214A.1~~. The motor vehicle shall also be  
19 34 affixed with a brightly visible sticker which notifies the  
19 35 traveling public that the motor vehicle is being operated on  
20 1 ethanol blended gasoline ~~blended with ethanol~~. However, the  
20 2 sticker is not required to be affixed to an unmarked vehicle  
20 3 used for purposes of providing law enforcement or security.

20 4 Sec. 32. Section 262.25A, subsection 2, Code 2005, is  
20 5 amended to read as follows:

20 6 2. A motor vehicle purchased by the institutions shall not  
20 7 operate on gasoline other than gasoline blended with at least  
20 8 ten percent ethanol. A state-issued credit card used to  
20 9 purchase gasoline shall not be valid to purchase gasoline  
20 10 other than ethanol blended gasoline ~~blended with at least ten~~  
~~20 11 percent ethanol as defined in section 214A.1~~. The motor  
20 12 vehicle shall also be affixed with a brightly visible sticker  
20 13 which notifies the traveling public that the motor vehicle is  
20 14 being operated on ethanol blended gasoline ~~blended with~~  
~~20 15 ethanol~~. However, the sticker is not required to be affixed  
20 16 to an unmarked vehicle used for purposes of providing law  
20 17 enforcement or security.

20 18 Sec. 33. Section 279.34, Code 2005, is amended to read as  
20 19 follows:

20 20 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL-~~  
~~20 21 BLENDED ETHANOL BLENDED~~ GASOLINE.

20 22 A motor vehicle purchased by or used under the direction of  
20 23 the board of directors to provide services to a school  
20 24 corporation shall not, on or after January 1, 1993, operate on  
20 25 gasoline other than ethanol blended gasoline ~~blended with at~~  
~~20 26 least ten percent ethanol~~. The motor vehicle shall also be  
20 27 affixed with a brightly visible sticker which notifies the  
20 28 traveling public that the motor vehicle is being operated on  
20 29 ethanol blended gasoline ~~blended with ethanol~~. However, the  
20 30 sticker is not required to be affixed to an unmarked vehicle  
20 31 used for purposes of providing law enforcement or security.

20 32 Sec. 34. Section 307.21, subsection 4, paragraph d, Code  
20 33 2005, is amended to read as follows:

20 34 d. A motor vehicle purchased by the administrator shall  
20 35 not operate on gasoline other than ethanol blended gasoline  
21 1 ~~blended with at least ten percent ethanol as defined in~~  
21 2 ~~section 214A.1.~~ A state-issued credit card used to purchase  
21 3 gasoline shall not be valid to purchase gasoline other than  
21 4 ethanol blended gasoline ~~blended with at least ten percent~~  
21 5 ~~ethanol.~~ The motor vehicle shall also be affixed with a  
21 6 brightly visible sticker which notifies the traveling public  
21 7 that the motor vehicle is being operated on ethanol blended  
21 8 gasoline ~~blended with ethanol.~~ However, the sticker is not  
21 9 required to be affixed to an unmarked vehicle used for  
21 10 purposes of providing law enforcement or security.

21 11 Sec. 35. Section 331.908, Code 2005, is amended to read as  
21 12 follows:

21 13 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL=~~  
21 14 ~~BLEND~~ ETHANOL BLENDED GASOLINE.

21 15 A motor vehicle purchased or used by a county to provide  
21 16 county services shall not, on or after January 1, 1993,  
21 17 operate on gasoline other than ethanol blended gasoline  
21 18 ~~blended with at least ten percent ethanol.~~ The motor vehicle  
21 19 shall also be affixed with a brightly visible sticker which  
21 20 notifies the traveling public that the motor vehicle is being  
21 21 operated on ethanol blended gasoline ~~blended with ethanol.~~  
21 22 However, the sticker is not required to be affixed to an  
21 23 unmarked vehicle used for purposes of providing law  
21 24 enforcement or security.

21 25 Sec. 36. Section 364.20, Code 2005, is amended to read as  
21 26 follows:

21 27 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL=~~  
21 28 ~~BLEND~~ ETHANOL BLENDED GASOLINE.

21 29 A motor vehicle purchased or used by a city to provide city  
21 30 services shall not, ~~on or after January 1, 1993,~~ operate on  
21 31 gasoline other than ethanol blended gasoline ~~blended with at~~  
21 32 ~~least ten percent ethanol as defined in section 214A.1.~~ The  
21 33 motor vehicle shall also be affixed with a brightly visible  
21 34 sticker which notifies the traveling public that the motor  
21 35 vehicle is being operated on ethanol blended gasoline ~~blended~~  
22 1 ~~with ethanol.~~ However, the sticker is not required to be  
22 2 affixed to an unmarked vehicle used for purposes of providing  
22 3 law enforcement or security.

22 4 Sec. 37. Section 452A.2, subsection 11, Code Supplement  
22 5 2005, is amended to read as follows:

22 6 11. "Ethanol blended gasoline" means ~~motor fuel containing~~  
22 7 ~~at least ten percent alcohol distilled from cereal grains the~~  
22 8 ~~same as defined in section 214A.1.~~

22 9 Sec. 38. Section 452A.6, Code 2005, is amended to read as  
22 10 follows:

22 11 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS ==  
22 12 BLENDER'S LICENSE.

22 13 1. a. A person other than a supplier, restrictive  
22 14 supplier, or importer licensed under this division, who blends  
22 15 gasoline with ~~alcohol distilled from cereal grains so that the~~  
22 16 ~~blend contains at least ten percent alcohol distilled from~~  
22 17 ~~cereal grains ethanol as defined in section 214A.1 in order to~~  
22 18 ~~formulate ethanol blended gasoline,~~ shall obtain a blender's  
22 19 license.

22 20 b. A person who blends two or more special fuel products  
22 21 or sells one hundred percent biofuel shall obtain a blender's  
22 22 license.

22 23 2. ~~The A~~ blender's license shall be obtained by following  
22 24 the procedure under section 452A.4 and the blender's license  
22 25 is subject to the same restrictions as contained in that  
22 26 section.

22 27 3. A blender required to obtain a license pursuant to this  
22 28 section shall maintain records as required by section 452A.10  
22 29 as to motor fuel, ~~alcohol ethanol,~~ ethanol blended gasoline,  
22 30 and special fuels.

22 31 Sec. 39. Section 904.312A, subsection 1, Code 2005, is  
22 32 amended to read as follows:

22 33 1. A motor vehicle purchased by the department shall not  
22 34 operate on gasoline other than ethanol blended gasoline  
22 35 ~~blended with at least ten percent ethanol as defined in~~  
23 1 ~~section 214A.1.~~ A state-issued credit card used to purchase  
23 2 gasoline shall not be valid to purchase gasoline other than  
23 3 ethanol blended gasoline ~~blended with at least ten percent~~  
23 4 ~~ethanol.~~ The motor vehicle shall also be affixed with a  
23 5 brightly visible sticker which notifies the traveling public  
23 6 that the motor vehicle is being operated on ethanol blended  
23 7 gasoline ~~blended with ethanol.~~ However, the sticker is not

23 8 required to be affixed to an unmarked vehicle used for  
23 9 purposes of providing law enforcement or security.

23 10 DIVISION IV

23 11 COORDINATING PROVISIONS == MISCELLANEOUS

23 12 Sec. 40. Section 15.401, Code Supplement 2005, is amended  
23 13 to read as follows:

23 14 15.401 ~~E-85 BLENDED GASOLINE~~ RENEWABLE FUELS.

23 15 1. As used in this section, unless the context otherwise  
23 16 requires, "biodiesel", "biodiesel blended fuel", "E=85  
23 17 gasoline" and "service station" mean the same as defined in  
23 18 section 214A.1.

23 19 2. The department shall provide a cost=share program for  
23 20 financial incentives for the installation or conversion of  
23 21 infrastructure used by service stations to do all of the  
23 22 following:

23 23 a. ~~sell~~ Sell and dispense E=85 ~~blended~~ gasoline ~~and for~~  
23 24 ~~the installation or conversion of.~~

23 25 b. Install or convert infrastructure required to establish  
23 26 on=site and off=site terminal facilities that store biodiesel  
23 27 or biodiesel blended fuel for distribution to service  
23 28 stations.

23 29 3. The department shall provide for an addition of at  
23 30 least thirty new or converted E=85 gasoline retail outlets and  
23 31 four new or converted on=site or off=site terminal facilities  
23 32 with a maximum expenditure of three hundred twenty=five  
23 33 thousand dollars per year for the fiscal period beginning July  
23 34 1, 2005, and ending June 30, 2008. The department may provide  
23 35 for the marketing of these products in conjunction with this  
24 1 infrastructure program.

24 2 Sec. 41. Section 159A.2, Code 2005, is amended by adding  
24 3 the following new subsections:

24 4 NEW SUBSECTION. 0A. "Biodiesel" and "biodiesel blended  
24 5 fuel" mean the same as defined in section 214A.1.

24 6 NEW SUBSECTION. 3A. "Department" means the department of  
24 7 agriculture and land stewardship.

24 8 NEW SUBSECTION. 3B. "Ethanol blended gasoline" means the  
24 9 same as defined in section 214A.1.

24 10 Sec. 42. Section 159A.2, subsection 6, Code 2005, is  
24 11 amended by striking the subsection and inserting in lieu  
24 12 thereof the following:

24 13 6. "Renewable fuel" means the same as defined in section  
24 14 214A.1.

24 15 Sec. 43. Section 159A.2, subsection 8, Code 2005, is  
24 16 amended by striking the subsection.

24 17 Sec. 44. Section 159A.3, subsection 3, Code 2005, is  
24 18 amended to read as follows:

24 19 3. a. A chief purpose of the office is to further the  
24 20 production and consumption of ethanol ~~fuel~~ blended gasoline in  
24 21 this state. The office shall be the primary state agency  
24 22 charged with the responsibility to promote public consumption  
24 23 of ethanol ~~fuel~~ blended gasoline.

24 24 b. The office shall promote the production and consumption  
24 25 of ~~soydiesel fuel~~ biodiesel and biodiesel blended fuel in this  
24 26 state.

24 27 Sec. 45. Section 214A.19, subsection 1, unnumbered  
24 28 paragraph 1, Code 2005, is amended to read as follows:

24 29 The department of natural resources, conditioned upon the  
24 30 availability of funds, is authorized to award demonstration  
24 31 grants to persons who purchase vehicles which operate on  
24 32 alternative fuels, including but not limited to, ~~high blend~~  
24 33 ~~ethanol E=85 gasoline, biodiesel,~~ compressed natural gas,  
24 34 electricity, solar energy, or hydrogen. A grant shall be for  
24 35 the purpose of conducting research connected with the fuel or  
25 1 the vehicle, and not for the purchase of the vehicle itself,  
25 2 except that the money may be used for the purchase of the  
25 3 vehicle if all of the following conditions are satisfied:

25 4 Sec. 46. Section 307.20, Code 2005, is amended to read as  
25 5 follows:

25 6 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING  
25 7 FUND.

25 8 1. A biodiesel and biodiesel blended fuel revolving fund  
25 9 is created in the state treasury. The biodiesel and biodiesel  
25 10 blended fuel revolving fund shall be administered by the  
25 11 department and shall consist of moneys received from the sale  
25 12 of EPA credits banked by the department on April 19, 2001,  
25 13 moneys appropriated by the general assembly, and any other  
25 14 moneys obtained or accepted by the department for deposit in  
25 15 the fund. Moneys in the fund are appropriated to and shall be  
25 16 used by the department for the purchase of biodiesel and  
25 17 biodiesel blended fuel for use in department vehicles. The  
25 18 department shall submit an annual report not later than

25 19 January 31 to the members of the general assembly and the  
25 20 legislative services agency, of the expenditures made from the  
25 21 fund during the preceding fiscal year. Section 8.33 does not  
25 22 apply to any moneys in the fund and, notwithstanding section  
25 23 12C.7, subsection 2, earnings or interest on moneys deposited  
25 24 in the fund shall be credited to the fund.

25 25 2. A ~~department~~ departmental motor vehicle operating ~~on~~  
25 26 using biodiesel or biodiesel blended fuel shall be affixed  
25 27 with a brightly visible sticker that notifies the traveling  
25 28 public that the motor vehicle uses biodiesel blended fuel.  
25 29 3. For purposes of this section the following definitions  
25 30 apply:

25 31 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"  
25 32 ~~means soydiesel fuel~~ mean the same as defined in section  
25 33 ~~159A.2 214A.1.~~

25 34 b. "EPACT credit" means a credit issued pursuant to the  
25 35 federal Energy Policy Act (EPACT), 42 U.S.C. } 13201 et seq.  
26 1 Sec. 47. Section 452A.2, subsection 2, Code Supplement  
26 2 2005, is amended by striking the subsection and inserting in  
26 3 lieu thereof the following:

26 4 2. "Biodiesel" and "biodiesel blended fuel" mean the same  
26 5 as defined in section 214A.1.

26 6 Sec. 48. Section 452A.2, subsection 3, Code Supplement  
26 7 2005, is amended to read as follows:

26 8 3. "Blender" means a person who owns and blends ~~alcohol~~  
26 9 ethanol with gasoline to produce ethanol blended gasoline and  
26 10 blends the product at a nonterminal location. The ~~blender~~  
26 11 person is not restricted to blending ~~alcohol ethanol~~ with  
26 12 gasoline. Products blended with gasoline other than ~~grain~~  
26 13 ~~alcohol ethanol~~ are taxed as gasoline. "Blender" also means a  
26 14 person blending two or more special fuel products at a  
26 15 nonterminal location where the tax has not been paid on all of  
26 16 the products blended. This blend is taxed as a special fuel.

26 17 Sec. 49. Section 452A.2, Code Supplement 2005, is amended  
26 18 by adding the following new subsection:

26 19 NEW SUBSECTION. 9A. "E=85 gasoline" means the same as  
26 20 defined in section 214A.1.

26 21 Sec. 50. Section 452A.2, subsection 11, Code Supplement  
26 22 2005, is amended to read as follows:

26 23 11. "Ethanol blended gasoline" means ~~motor fuel containing~~  
26 24 ~~at least ten percent alcohol distilled from cereal grains the~~  
26 25 same as defined in section 214A.1.

26 26 Sec. 51. Section 452A.2, subsection 19, unnumbered  
26 27 paragraph 1, Code Supplement 2005, is amended to read as  
26 28 follows:

26 29 "Motor fuel" means ~~both motor fuel as defined in section~~  
26 30 214A.1 and includes all of the following:

26 31 Sec. 52. Section 452A.2, subsection 21, Code Supplement  
26 32 2005, is amended to read as follows:

26 33 21. "Nonterminal storage facility" means a facility where  
26 34 motor fuel or special fuel, other than liquefied petroleum  
26 35 gas, is stored that is not supplied by a pipeline or a marine  
27 1 vessel. "Nonterminal storage facility" includes a facility  
27 2 that manufactures products such as ~~alcohol ethanol as defined~~  
27 3 in section 214A.1, biofuel, blend stocks, or additives which  
27 4 may be used as motor fuel or special fuel, other than  
27 5 liquefied petroleum gas, for operating motor vehicles or  
27 6 aircraft.

27 7 Sec. 53. Section 452A.3, subsection 1B, Code Supplement  
27 8 2005, is amended to read as follows:

27 9 1B. An excise tax of seventeen cents is imposed on each  
27 10 gallon of E=85 gasoline, ~~which contains at least eighty-five~~  
27 11 ~~percent denatured alcohol by volume from the first day of~~  
27 12 ~~April until the last day of October or seventy percent~~  
27 13 ~~denatured alcohol from the first day of November until the~~  
27 14 ~~last day of March, used for the privilege of operating motor~~  
27 15 ~~vehicles in this state as defined in section 214A.1, subject~~  
27 16 to the determination provided in subsection 1C.

27 17 Sec. 54. Section 452A.6, Code 2005, is amended to read as  
27 18 follows:

27 19 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS ==  
27 20 BLENDER'S LICENSE.

27 21 1. a. A person other than a supplier, restrictive  
27 22 supplier, or importer licensed under this division, who blends  
27 23 gasoline with ~~alcohol distilled from cereal grains so that the~~  
27 24 ~~blend contains at least ten percent alcohol distilled from~~  
27 25 ~~cereal grains ethanol as defined in section 214A.1 in order to~~  
27 26 formulate ethanol blended gasoline, shall obtain a blender's  
27 27 license.

27 28 b. A person who blends two or more special fuel products  
27 29 or sells one hundred percent biofuel shall obtain a blender's

27 30 license.  
27 31 2. The A blender's license shall be obtained by following  
27 32 the procedure under section 452A.4 and the blender's license  
27 33 is subject to the same restrictions as contained in that  
27 34 section.  
27 35 3. A blender required to obtain a license pursuant to this  
28 1 section shall maintain records as required by section 452A.10  
28 2 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline,  
28 3 and special fuels.

28 4 DIVISION V  
28 5 CHANGE OF TERMS

28 6 Sec. 55. CHANGE OF TERMS.

28 7 1. Sections 8A.362, 101.21, 159A.4, 214.1, 214.11, 214A.1,  
28 8 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10,  
28 9 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.40, 321.56,  
28 10 423.14, 452A.63, 452A.66, and 452A.78, Code 2005, are amended  
28 11 by striking from the provisions the words "motor vehicle fuel"  
28 12 and inserting the following: "motor fuel".

28 13 2. Sections 214.1, 214.3, 214.9, 214.11, and 214A.16, Code  
28 14 2005, are amended by striking the words "motor vehicle fuel  
28 15 pump" or "motor vehicle fuel pumps" and inserting the  
28 16 following: "motor fuel pump" or "motor fuel pumps".

28 17 3. Sections 159A.3 and 214A.17, Code 2005, are amended by  
28 18 striking from the provisions the words "oxygenate octane  
28 19 enhancers" and inserting the following: "oxygenates".

28 20 4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and  
28 21 214A.10, Code 2005, are amended by striking from the  
28 22 provisions the words "oxygenate octane enhancer" and inserting  
28 23 the following: "oxygenate".

28 24 EXPLANATION

28 25 DIVISION I == ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

28 26 This division amends Code chapter 214A, which provides  
28 27 authority to the department of agriculture and land  
28 28 stewardship to regulate the sale of motor fuel.

28 29 The division amends Code section 214A.1 by providing a  
28 30 number of definitions for "biodiesel", "biodiesel blended  
28 31 fuel", "ethanol", "ethanol blended gasoline", and "E=85  
28 32 gasoline". It also amends Code section 214A.2, which provides  
28 33 for different types of gasoline and establishes standards or  
28 34 specifications for gasoline. The division amends the section  
28 35 to require that ethanol blended gasoline contain a blend of at  
29 1 least 10 percent ethanol. It designates gasoline with a  
29 2 minimum seasonal blend of between 75 and 85 percent or more  
29 3 ethanol as E=85 blended gasoline.

29 4 The division imposes a number of requirements of businesses  
29 5 which own or control service stations operated by retail  
29 6 dealers. The requirements are administered and enforced by  
29 7 the department of revenue and the department of agriculture  
29 8 and land stewardship working in consultation with the  
29 9 renewable fuels and coproducts advisory committee.

29 10 The division requires that businesses must sell a certain  
29 11 percentage of ethanol within a determination period (beginning  
29 12 January 1 and ending December 31). The percentage is referred  
29 13 to as a threshold. The division provides a number of  
29 14 thresholds which increase periodically according to a  
29 15 schedule. The thresholds are delayed for two years for small  
29 16 businesses (selling 500,000 gallons or less of gasoline). A  
29 17 threshold is based on an assumption that there is a target  
29 18 number of state registered flexible fuel vehicles using E=85  
29 19 gasoline. The department of revenue may adjust a threshold if  
29 20 a target is not met and publish the adjusted threshold in the  
29 21 Iowa administrative bulletin.

29 22 If at the end of a determination period, a business has not  
29 23 met a threshold, the secretary of agriculture must issue an  
29 24 accelerated petroleum replacement order, unless the secretary  
29 25 finds a delay or suspension is warranted based on decreased  
29 26 ethanol inventories. A business which fails to meet a  
29 27 threshold is subject to a civil penalty of 10 cents for each  
29 28 one gallon of ethanol required to meet the threshold.

29 29 A dealer who is owned or controlled by such business not  
29 30 meeting the threshold is not eligible to claim an ethanol  
29 31 blended tax credit. In addition, the retail dealer is  
29 32 prohibited from selling gasoline other than ethanol blended  
29 33 gasoline, with a number of exceptions. The prohibition does  
29 34 not apply to gasoline used to operate aircraft, motor vehicles  
29 35 involved exclusively in motor sports events, or motor vehicles  
30 1 operating using diesel fuel. The requirement also does not  
30 2 apply to selling gasoline for use in certain vehicles such as  
30 3 antique vehicles, snowmobiles, all-terrain vehicles,  
30 4 watercraft, and small motors.

30 5 DIVISION II == RENEWABLE FUEL TAX CREDIT FOR RETAIL

30 6 DEALERS. This division amends tax credit provisions in Code  
30 7 chapter 422 to provide that a retail dealer who sells E=85  
30 8 gasoline is eligible to receive a tax credit. The tax credit  
30 9 applies to taxpayers filing as individuals or businesses. The  
30 10 amount of the tax credit is a designated rate multiplied by  
30 11 the total number of gallons of E=85 gasoline sold and  
30 12 dispensed through all motor fuel pumps operated at each of the  
30 13 taxpayer's service stations during the tax year. The rate  
30 14 begins at 10 cents for the first 10 years and is adjusted to 5  
30 15 cents after that.

30 16 The division also provides that a retail dealer who sells  
30 17 biodiesel blended fuel is also eligible to receive a tax  
30 18 credit with similar requirements that apply to a retail dealer  
30 19 who sells ethanol blended gasoline. In this case, the amount  
30 20 is based on each gallon of biodiesel sold and dispensed by the  
30 21 retail dealer and ranges from 3 to 5 cents depending upon the  
30 22 percentage of biodiesel blended fuel sold when compared to the  
30 23 total amount of diesel fuel sold.

30 24 The provisions which provide a tax credit to retail dealers  
30 25 selling E=85 gasoline and biodiesel blended fuel apply to tax  
30 26 years beginning on or after January 1, 2007.

30 27 DIVISION III == COORDINATING PROVISIONS == GOVERNMENT  
30 28 VEHICLES. This division amends the provisions that require  
30 29 state and local government vehicles to operate using ethanol  
30 30 blended gasoline. It also amends similar provisions which  
30 31 require state agencies to purchase flexible fuel vehicles.  
30 32 The division standardizes the language and refers to common  
30 33 definitions as created in the division amending Code section  
30 34 214A.1 and related standards created in the division amending  
30 35 Code section 214A.2.

31 1 DIVISION IV == COORDINATING PROVISIONS == MISCELLANEOUS. A  
31 2 number of provisions in the Code refer to alcohol or ethanol  
31 3 blended gasoline, including E=85 gasoline, and soydiesel or  
31 4 biofuel. This division standardizes the language and refers  
31 5 to common definitions as created in the division amending Code  
31 6 section 214A.1 and related standards created in the division  
31 7 amending Code section 214A.2.

31 8 DIVISION V == CHANGE IN TERMS. This division amends a  
31 9 number of provisions by changing the term "oxygenate octane  
31 10 enhancer" to "oxygenate", "motor vehicle fuel" to "motor  
31 11 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for  
31 12 purposes of consistency in chapters throughout the Code, but  
31 13 in particular in Code chapters 214A and 452A.

31 14 LSB 6142XC 81  
31 15 da:rj/je/5