

House Study Bill 746

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

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

A BILL FOR

1 An Act relating to renewable fuel, including by providing for
2 infrastructure associated with storing, blending, and
3 dispensing renewable fuel, modifying tax credits, providing
4 for retroactive applicability, and providing an effective
5 date.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
7 TLSB 6451YC 82
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1 1 DIVISION I
1 2 RENEWABLE FUEL INFRASTRUCTURE
1 3 Section 1. Section 15G.201, subsection 1, Code 2007, is
1 4 amended to read as follows:
1 5 1. "Biodiesel", "biodiesel blended fuel", "biodiesel
1 6 fuel", "E=85 gasoline", "ethanol", "ethanol blended gasoline",
1 7 "gasoline", "motor fuel", "~~motor fuel pump~~", "retail dealer",
1 8 and "retail motor fuel site" mean the same as defined in
1 9 section 214A.1.
1 10 Sec. 2. Section 15G.201, Code 2007, is amended by adding
1 11 the following new subsection:
1 12 NEW SUBSECTION. 4A. "Motor fuel pump" and "motor fuel
1 13 blender pump" or "blender pump" mean the same as defined in
1 14 section 214.1.
1 15 Sec. 3. NEW SECTION. 15G.201A CLASSIFICATION OF
1 16 RENEWABLE FUEL.
1 17 For purposes of this division, ethanol blended fuel and
1 18 biodiesel fuel shall be classified in the same manner as
1 19 provided in section 214A.2.
1 20 Sec. 4. Section 15G.203, subsection 1, Code Supplement
1 21 2007, is amended to read as follows:
1 22 1. The purpose of the program is to improve retail motor
1 23 fuel sites by installing, replacing, or converting ~~motor fuel~~
1 24 ~~storage and dispensing infrastructure. The infrastructure~~
1 25 ~~must be to be used to store, blend, or dispense renewable~~
1 26 ~~fuel. The infrastructure shall be ethanol infrastructure or~~
1 27 ~~biodiesel infrastructure.~~
1 28 a. (1) Ethanol infrastructure shall be designed and shall
1 29 be used exclusively to store do any of the following:
1 30 (a) Store and dispense renewable fuel which is E=85
1 31 gasoline.
1 32 (b) Store, blend, and dispense motor fuel from a motor
1 33 fuel blender pump, as required in this subparagraph
1 34 subdivision. The ethanol infrastructure may provide for the
1 35 storage of ethanol or ethanol blended gasoline, or for
2 1 blending ethanol with gasoline, so long as the ethanol
2 2 infrastructure includes a motor fuel blender pump which
2 3 dispenses different classifications of ethanol blended
2 4 gasoline and which is capable of dispensing E=85 at all times
2 5 that the blender pump is operating.
2 6 (2) Biodiesel infrastructure shall be designed and used
2 7 exclusively to do any of the following:
2 8 (a) Store and dispense biodiesel, or biodiesel blended
2 9 fuel.
2 10 (b) Blend or dispense biodiesel fuel from a motor fuel
2 11 blender pump.
2 12 b. The infrastructure must be located on the premises of a
2 13 retail motor fuel sites site operated by a retail dealers
2 14 dealer.
2 15 Sec. 5. Section 15G.203, subsection 3, Code Supplement

2 16 2007, is amended by striking the subsection.
2 17 Sec. 6. Section 15G.203, subsection 4, paragraph b,
2 18 subparagraphs (3) and (4), Code Supplement 2007, are amended
2 19 to read as follows:

2 20 (3) A statement describing how the retail motor fuel site
2 21 is to be improved, the total estimated cost of the planned
2 22 improvement, and the date when the infrastructure will be
2 23 first used to store and dispense the renewable fuel.

2 24 (4) A statement certifying that the infrastructure shall
2 25 ~~not only be used to store or dispense motor fuel other than~~
2 26 ~~E-85 gasoline, biodiesel, or biodiesel blended fuel to comply~~
2 27 ~~with the provisions of this section and as specified in the~~
2 28 ~~cost-share agreement, unless granted a waiver by the~~
2 29 ~~infrastructure board pursuant to this section. The~~
2 30 ~~infrastructure board may approve a waiver to store, blend, or~~
2 31 ~~dispense biodiesel fuel for a retail motor fuel site upon the~~
2 32 ~~request of a participating person. The waiver shall be for~~
2 33 ~~any three-consecutive-month period from November through~~
2 34 ~~February to account for temperature-related issues. However,~~
2 35 ~~the cost-share agreement shall be extended for the period of~~
3 1 ~~the waiver.~~

3 2 Sec. 7. Section 15G.203, subsection 6, Code Supplement
3 3 2007, is amended by striking the subsection.

3 4 Sec. 8. Section 15G.203, subsection 7, Code Supplement
3 5 2007, is amended to read as follows:

3 6 7. An award of financial incentives to a participating
3 7 person shall be on a cost-share basis in the form of a grant.
3 8 To

3 9 ~~In order to participate in the program, an eligible person~~
3 10 ~~must execute a cost-share agreement with the department as~~
3 11 ~~approved by the infrastructure board in which the person~~
3 12 ~~contributes a percentage of the total costs related to~~
3 13 ~~improving the retail motor fuel site. Except as otherwise~~
3 14 ~~provided in this section, a cost-share agreement shall not be~~
3 15 ~~for more than three years. The infrastructure board may~~
3 16 ~~approve multiple improvements to the same retail motor fuel~~
3 17 ~~site for the full amount available for both ethanol~~
3 18 ~~infrastructure and biodiesel infrastructure so long as the~~
3 19 ~~improvements for ethanol infrastructure and for biodiesel~~
3 20 ~~infrastructure are made under separate cost-share agreements.~~

3 21 a. Except as provided in paragraph "b", a participating
3 22 person may be awarded standard financial incentives. The
3 23 standard financial incentives awarded to ~~the~~ a participating
3 24 person for ethanol infrastructure improvements shall not
3 25 exceed fifty percent of the actual cost of making the
3 26 improvement or ~~thirty~~ fifty thousand dollars, whichever is
3 27 less. The standard financial incentives awarded to a
3 28 participating person for biodiesel infrastructure shall not
3 29 exceed fifty percent of the actual cost of making the
3 30 improvement or fifty thousand dollars, whichever is less. The
3 31 infrastructure board may approve multiple awards of standard
3 32 financial incentives to make improvements to a retail motor
3 33 fuel site so long as the total amount of the awards does not
3 34 exceed the limitations provided in this paragraph.

3 35 b. In addition to any standard financial incentives
4 1 awarded to a participating person under paragraph "a", the
4 2 participating person may be awarded supplemental financial
4 3 incentives to upgrade or replace a dispenser which is part of
4 4 gasoline storage and dispensing infrastructure used to store
4 5 and dispense E-85 gasoline as provided in section 455G.31.
4 6 The participating person is only eligible to receive the
4 7 supplemental financial incentives if the person installed the
4 8 dispenser not later than sixty days after the date of the
4 9 publication in the Iowa administrative bulletin of the state
4 10 fire marshal's order providing that a commercially available
4 11 dispenser is listed as compatible for use with E-85 gasoline
4 12 by an independent testing laboratory as provided in section
4 13 455G.31. The supplemental financial incentives awarded to the
4 14 participating person shall not exceed seventy-five percent of
4 15 the actual cost of making the improvement or thirty thousand
4 16 dollars, whichever is less.

4 17 Sec. 9. Section 15G.204, subsection 2, Code Supplement
4 18 2007, is amended by striking the subsection.

4 19 Sec. 10. Section 15G.204, subsection 4, Code Supplement
4 20 2007, is amended to read as follows:

4 21 4. a. An award of financial incentives to a participating
4 22 person shall be in the form of a grant. In order to
4 23 participate in the program, an eligible person must execute a
4 24 cost-share agreement with the department as approved by the
4 25 infrastructure board in which the person contributes a
4 26 percentage of the total costs related to improving the

4 27 terminal. The financial incentives awarded to the
4 28 participating person shall not exceed the following:

4 29 (1) For improvements to store or dispense biodiesel fuel
4 30 from B=2 or higher but not as high as B=99, fifty percent of
4 31 the actual cost of making the improvements or fifty thousand
4 32 dollars, whichever is less.

4 33 (2) For improvements to store or dispense biodiesel fuel
4 34 from B=99 to B=100, fifty percent of the actual cost of making
4 35 the improvements or one hundred thousand dollars, whichever is
5 1 less.

5 2 b. The infrastructure board may approve multiple awards to
5 3 make improvements to a terminal so long as the total amount of
5 4 the awards does not exceed the limitations provided in this
5 5 subsection.

5 6 Sec. 11. Section 214.1, Code 2007, is amended to read as
5 7 follows:

5 8 214.1 DEFINITIONS.

5 9 For the purpose of As used in this chapter, unless the
5 10 context otherwise requires:

5 11 1. "Biodiesel", "biodiesel fuel", "biofuel", "ethanol",
5 12 "motor fuel", "retail dealer", "retail motor fuel site", and
5 13 "wholesale dealer" mean the same as defined in section 214A.1.

5 14 2. "Commercial weighing and measuring device" or "device"
5 15 means the same as defined in section 215.26.

5 16 ~~2.~~ 3. "Motor fuel" means the same as defined in section
5 17 214A.1 fuel blender pump" or "blender pump" means a motor fuel
5 18 pump that dispenses a type of motor fuel that is blended from
5 19 two or more different types of motor fuels and which may
5 20 dispense more than one type of blended motor fuel.

5 21 ~~3.~~ 4. "Motor fuel pump" means a pump, meter, or similar
5 22 commercial weighing and measuring device used to measure and
5 23 dispense motor fuel on a retail basis.

5 24 ~~4.~~ "Retail dealer" means the same as defined in section
5 25 214A.1.

5 26 5. "Wholesale dealer" means the same as defined in section
5 27 214A.1 "Motor fuel storage tank" or "storage tank" means an
5 28 aboveground or belowground container that is a fixture used to
5 29 store an accumulation of motor fuel.

5 30 Sec. 12. Section 214.9, Code 2007, is amended to read as
5 31 follows:

5 32 214.9 SELF-SERVICE MOTOR FUEL PUMPS.

5 33 ~~Self-service~~ A self-service motor fuel pumps pump located
5 34 at a retail motor vehicle fuel stations site may be equipped
5 35 with an automatic latch=open devices device on the fuel
6 1 dispensing hose nozzle only if the nozzle valve is the
6 2 automatic closing type.

6 3 Sec. 13. Section 214A.1, Code 2007, is amended by adding
6 4 the following new subsection:

6 5 NEW SUBSECTION. 4A. "Biodiesel fuel" means biodiesel or
6 6 biodiesel blended fuel.

6 7 Sec. 14. Section 214A.1, subsections 9, 14, and 15, Code
6 8 2007, are amended to read as follows:

6 9 9. "E=85 gasoline" means ethanol blended gasoline
6 10 formulated with a minimum percentage of between seventy and
6 11 eighty-five percent by volume of ethanol, if the formulation
6 12 meets the standards provided in section 214A.2.

6 13 14. "Motor fuel pump" and "motor fuel blender pump" or
6 14 "blender pump" means the same as defined in section 214.1.

6 15 15. "Motor fuel storage tank" means an aboveground or
6 16 belowground container that is a fixture, used to keep an
6 17 accumulation of motor fuel the same as defined in section
6 18 214.1.

6 19 Sec. 15. Section 214A.1, Code 2007, is amended by adding
6 20 the following new subsection:

6 21 NEW SUBSECTION. 21A. "Unleaded gasoline" means gasoline,
6 22 including ethanol blended gasoline, if all of the following
6 23 applies:

6 24 a. It has an octane number of not less than eighty-seven
6 25 as provided in section 214A.2.

6 26 b. Lead or phosphorus compounds have not been
6 27 intentionally added to it.

6 28 c. It does not contain more than thirteen thousandths
6 29 grams of lead per liter and not more than thirteen
6 30 ten-thousandths grams of phosphorus per liter.

6 31 Sec. 16. Section 214A.2, subsection 3, paragraph b, Code
6 32 2007, is amended to read as follows:

6 33 b. If the motor fuel is advertised for sale or sold as
6 34 ethanol blended gasoline, the motor fuel must comply with
6 35 departmental standards which shall comply with specifications
7 1 for ethanol blended gasoline adopted by A.S.T.M.

7 2 international. For ethanol blended gasoline meet all of the

7 3 following ~~shall apply requirements:~~

7 4 (1) Ethanol must be an agriculturally derived ethyl
7 5 alcohol that meets A.S.T.M. international specification D4806
7 6 for denatured fuel ethanol for blending with gasoline for use
7 7 as automotive spark-ignition engine fuel, or a successor
7 8 A.S.T.M. international specification, as established by rules
7 9 adopted by the department.

7 10 (2) Gasoline blended with ethanol must meet any of the
7 11 following requirements:

7 12 (a) For the gasoline, A.S.T.M. international specification
7 13 D4814.

7 14 (b) For the ethanol blended gasoline, A.S.T.M.
7 15 international specification D4814.

7 16 (c) For the gasoline, A.S.T.M. international specification
7 17 D4814 except for distillation, if the ethanol blended gasoline
7 18 meets the requirements of A.S.T.M. international specification
7 19 D4814.

7 20 (3) For ethanol blended gasoline other than E=85 gasoline,
7 21 at least ten percent of the gasoline by volume must be
7 22 ethanol.

7 23 ~~(3)~~ (4) E=85 gasoline must be an agriculturally derived
7 24 ethyl alcohol that meets A.S.T.M. international specification
7 25 D5798, described as a fuel blend for use in ground vehicles
7 26 with automotive spark-ignition engines, or a successor
7 27 A.S.T.M. international specification, as established by rules
7 28 adopted by the department.

7 29 Sec. 17. Section 214A.2, Code 2007, is amended by adding
7 30 the following new subsection:

7 31 NEW SUBSECTION. 4A. Ethanol blended gasoline shall be
7 32 designated E=xx where "xx" is the volume percent of ethanol in
7 33 the ethanol blended gasoline and biodiesel shall be designated
7 34 B=xx where "xx" is the volume percent of biodiesel.

7 35 Sec. 18. Section 214A.2B, Code Supplement 2007, is amended
8 1 to read as follows:

8 2 214A.2B LABORATORY FOR MOTOR FUEL AND BIOFUELS.

8 3 A laboratory for motor fuel and biofuels is established at
8 4 a merged area school which is engaged in biofuels testing on
8 5 July 1, 2007, and which testing includes but is not limited to
8 6 ~~B=20~~ B=20 biodiesel fuel testing for motor trucks and the
8 7 ability of biofuels to meet A.S.T.M. international standards.
8 8 The laboratory shall conduct testing of motor fuel sold in
8 9 this state and biofuel which is blended in motor fuel in this
8 10 state to ensure that the motor fuel or biofuels meet the
8 11 requirements in section 214A.2.

8 12 Sec. 19. Section 214A.3, subsection 2, paragraph b, Code
8 13 2007, is amended to read as follows:

8 14 b. (1) Ethanol blended gasoline sold by a dealer shall be
8 15 designated ~~E=xx where "xx" is the volume percent of ethanol in~~
~~8 16 the ethanol blended gasoline according to its classification~~
8 17 as provided in section 214A.2. However, a person advertising
8 18 E=10 gasoline may only designate it as ethanol blended
8 19 gasoline. A person advertising ethanol blended gasoline
8 20 formulated with a percentage of between seventy and
8 21 eighty-five percent by volume of ethanol shall designate it as
8 22 E=85. A person shall not knowingly falsely advertise ethanol
8 23 blended gasoline by using an inaccurate designation in
8 24 violation of this subparagraph.

8 25 (2) Biodiesel ~~blended~~ fuel shall be designated ~~B=xx where~~
~~8 26 "xx" is the volume percent of biodiesel in the biodiesel~~
~~8 27 blended fuel according to its classification as provided in~~
8 28 section 214A.2. A person shall not knowingly falsely

8 29 advertise biodiesel blended fuel by using an inaccurate
8 30 designation in violation of this subparagraph.

8 31 Sec. 20. Section 455G.31, subsection 1, Code Supplement
8 32 2007, is amended by adding the following new paragraph:

8 33 NEW PARAGRAPH. 0a. "Dispenser" includes a motor fuel pump
8 34 as defined in section 214.1, including but not limited to a
8 35 motor fuel blender pump.

9 1 Sec. 21. Section 455G.31, subsection 1, paragraph b, Code
9 2 Supplement 2007, is amended to read as follows:

9 3 b. "Gasoline storage and dispensing infrastructure" means
9 4 any storage tank located below ground or above ground and any
9 5 associated equipment including but not limited to a pipe,
9 6 hose, connection, fitting seal, or motor fuel pump, which is
9 7 used to store, measure, and dispense gasoline by a retail
9 8 dealer.

9 9 Sec. 22. Section 15.401, Code 2007, is repealed.

9 10 Sec. 23. APPLICATIONS == RENEWABLE FUEL INFRASTRUCTURE
9 11 PROGRAM FOR BIODIESEL TERMINAL FACILITIES. A person who has
9 12 already received an award of financial incentives prior to the
9 13 effective date of this Act pursuant to section 15G.204 for the

9 14 costs of making improvements to biodiesel terminal facilities
9 15 to store or dispense biodiesel fuel from B=99 to B=100 may
9 16 receive additional financial incentives for those same
9 17 improvements pursuant to section 15G.204 as amended by this
9 18 Act. The total amount of financial incentives awarded to the
9 19 person for making such improvements shall not exceed in total
9 20 fifty percent of the actual cost of making the improvements or
9 21 one hundred thousand dollars, whichever is less.

9 22 Sec. 24. LEGISLATIVE INTENT == FUTURE REVENUE SOURCES. It
9 23 is the intent of the general assembly that all options be
9 24 examined in order to continue the financing of renewable fuel
9 25 infrastructure as provided in chapter 15G, subchapter II.

9 26 DIVISION II

9 27 INCOME TAX CREDIT

9 28 Sec. 25. Section 422.11N, subsection 4, paragraph b,
9 29 subparagraph (3), subparagraph subdivision (b), Code
9 30 Supplement 2007, is amended to read as follows:

9 31 (b) A shortage in ~~the available~~ biofuel feedstock
9 32 resulting in a dramatic decrease in biofuel inventories.

9 33 (c) A hardship imposed on the state and its driving public
9 34 due to shortages of motor fuel or a dramatic increase in the
9 35 price of motor fuel.

10 1 Sec. 26. Section 422.11P, subsection 1, paragraph a, Code
10 2 Supplement 2007, is amended to read as follows:

10 3 a. "Biodiesel ~~blended~~ fuel", "diesel fuel", and "retail
10 4 dealer" mean the same as defined in section 214A.1.

10 5 Sec. 27. Section 422.11P, subsections 2 and 3, Code
10 6 Supplement 2007, are amended to read as follows:

10 7 2. a. The taxes imposed under this division, less the
10 8 credits allowed under section 422.12, shall be reduced by the
10 9 amount of the biodiesel ~~blended~~ fuel tax credit for each tax
10 10 year that the taxpayer is eligible to claim a tax credit under
10 11 this subsection. For a taxpayer

10 12 ~~a. In order~~ to be eligible, all of the following must
10 13 apply:

10 14 (1) The taxpayer is a retail dealer who sells and
10 15 dispenses biodiesel ~~blended~~ fuel through a motor fuel pump in
10 16 the tax year in which the tax credit is claimed.

~~10 17 (2) Of the total gallons of diesel fuel that the retail
10 18 dealer sells and dispenses through all motor fuel pumps during
10 19 the retail dealer's tax year, fifty percent or more is
10 20 biodiesel blended fuel which meets the requirements of this
10 21 section.~~

10 22 (3) (2) The retail dealer complies with requirements of
10 23 the department established to administer this section.

~~10 24 b. The tax credit shall apply to biodiesel blended fuel
10 25 formulated with a minimum percentage of two percent by volume
10 26 of biodiesel, if the formulation meets the standards provided
10 27 in section 214A.2.~~

~~10 28 b. The tax credit shall be calculated separately for each
10 29 retail motor fuel site operated by the taxpayer.~~

10 30 3. The amount of the tax credit is ~~three cents multiplied~~
10 31 calculated by multiplying a designated rate by the total
10 32 number of gallons of each class of biodiesel ~~blended~~ fuel sold
10 33 and dispensed by the retail dealer through all motor fuel
10 34 pumps operated by the retail dealer during the retail dealer's
10 35 tax year. The biodiesel fuel must meet the standards provided

11 1 for in section 214A.2. The classes of biodiesel fuel shall be
11 2 the same as provided in that section. The schedule of
11 3 designated rates for each class of biodiesel fuel is as
11 4 follows:

11 5 a. Three cents for biodiesel fuel which is classified as
11 6 B=2 or higher, but is not as high as B=5.

11 7 b. Seven and one-half cents for biodiesel fuel which is
11 8 classified as B=5 or higher, but is not as high as B=10.

11 9 c. Fifteen cents for biodiesel fuel which is classified as
11 10 B=10 or higher, but is not as high as B=20.

11 11 d. Thirty cents for biodiesel fuel which is classified as
11 12 B=20 or higher.

11 13 Sec. 28. Section 422.33, subsection 11C, paragraph c, Code
11 14 Supplement 2007, is amended to read as follows:

11 15 c. The tax credit shall be calculated separately for each
11 16 retail motor fuel site operated by the taxpayer.

11 17 d. This subsection is repealed on January 1, 2012.

11 18 Sec. 29. ETHANOL BLENDED GASOLINE TAX CREDITS ==
11 19 TRANSITION. The department of revenue shall to every extent
11 20 feasible provide for a simple transition for a taxpayer to
11 21 claim an ethanol blended gasoline tax credit as provided in
11 22 section 422.11C or section 422.33, subsection 11C, for the
11 23 taxpayer's last tax year before the section is repealed on
11 24 January 1, 2009, and then to claim the ethanol promotion tax

11 25 credit as provided in section 422.11N or section 422.33,
11 26 subsection 11A, commencing on January 1, 2009, for the
11 27 taxpayer's succeeding tax year.
11 28 Sec. 30. RETROACTIVE APPLICABILITY DATE. Section 422.11P,
11 29 as amended in this Act, and section 422.33, subsection 11C, as
11 30 applied due to the enactment of this Act, shall apply
11 31 retroactively to the tax year beginning on or after January 1,
11 32 2008.

11 33 DIVISION III

11 34 RENEWABLE FUEL REPORTING REQUIREMENTS

11 35 Sec. 31. Section 452A.33, subsection 1, Code 2007, is
12 1 amended to read as follows:

12 2 1. a. ~~Each retail dealer shall report its~~ The department
12 3 shall monitor the total motor fuel gallonage for each retail
12 4 motor fuel site or other permanent or temporary location from
12 5 which the retail dealer sells and dispenses motor fuel during
12 6 a determination period as follows-. The department shall
12 7 monitor all of the following:

12 8 (1) ~~its~~ The total gasoline gallonage and ~~its~~ total ethanol
12 9 gallonage, including for each classification and
12 10 subclassification as provided in section 452A.31.

12 11 (2) ~~its~~ The total diesel fuel gallonage and ~~its~~ total
12 12 biodiesel gallonage, including for each classification and
12 13 subclassification as provided in section 452A.31.

12 14 b. ~~The report shall include a breakdown of the information~~
12 15 ~~required in paragraph "a" for each retail motor fuel site or~~
12 16 ~~other permanent or temporary location from which the retail~~
12 17 ~~dealer sells and dispenses motor fuel.~~

12 18 c. ~~The retail dealer shall prepare and submit the report~~
12 19 ~~in a manner and according to procedures required by the~~
12 20 ~~department. The department may require that retail dealers~~
12 21 ~~report to the department on an annual, quarterly, or monthly~~
12 22 ~~basis.~~

12 23 d. ~~b. The~~ Any information included in a report submitted
12 24 by obtained from a wholesale dealer or a retail dealer by the
12 25 department is deemed to be a trade secret, protected as a
12 26 confidential record pursuant to section 22.7.

12 27 Sec. 32. Section 452A.33, subsection 2, unnumbered
12 28 paragraph 1, Code 2007, is amended to read as follows:

12 29 On or before February 1 the department shall deliver a
12 30 report to the governor and the legislative services agency.
12 31 The report shall compile any information ~~reported by retail~~
12 32 ~~dealers to the~~ obtained by the department as provided in this
12 33 section ~~and shall at least~~ which may include all of the
12 34 following:

12 35 DIVISION IV

13 1 EFFECTIVE DATE

13 2 Sec. 33. EFFECTIVE DATE. This Act, being deemed of
13 3 immediate importance, takes effect upon enactment.

13 4 EXPLANATION

13 5 BACKGROUND. This bill amends Code provisions relating to
13 6 renewable fuel and specifically biofuels used in motor fuels,
13 7 including ethanol (ethyl alcohol) and biodiesel (derived from
13 8 vegetable oils or animal fats). Ethanol is blended into
13 9 gasoline and biodiesel used without blending or blending into
13 10 diesel fuel. The bill refers to biodiesel and biodiesel
13 11 blended fuel and "biodiesel fuel". The bill also refers to
13 12 the percentage of biofuel contained in a gallon of motor fuel
13 13 as E=xx where "xx" equals the percentage of ethanol by volume
13 14 and B=xx equals the percentage of biodiesel by volume.
13 15 Generally, motor fuel pumps and motor fuel are regulated by
13 16 the department of agriculture and land stewardship.

13 17 DIVISION I == RENEWABLE FUEL INFRASTRUCTURE. The bill
13 18 amends provisions relating to infrastructure associated with
13 19 the storage, blending, and dispensing of renewable fuel and
13 20 specifically programs administered by the renewable fuel
13 21 infrastructure board (see Code section 15G.202) established
13 22 within the department of economic development and supported by
13 23 moneys appropriated from the grow Iowa values fund (see Code
13 24 section 15G.111(7)). The programs include the renewable fuel
13 25 infrastructure programs for retail motor fuel sites (see Code
13 26 section 15G.203) and biodiesel terminal facilities (see Code
13 27 section 15G.204) which provide grants on a cost=share basis to
13 28 participating persons.

13 29 BLENDER PUMPS. The bill provides for a new type of motor
13 30 fuel pump referred to as a motor fuel blender pump (blender
13 31 pump) which dispenses a blend of two types of motor fuel and
13 32 may allow a retail customer to select the percent of biofuel,
13 33 either ethanol (ethyl alcohol) which is blended into gasoline
13 34 or biodiesel (derived from vegetable oils or animal fats)
13 35 which may dispensed or blended into diesel fuel. The bill

14 1 expands the renewable fuel infrastructure program to provide
14 2 financing to support the installation, replacement, or
14 3 conversion of infrastructure associated with using a blender
14 4 pump to dispense ethanol blended gasoline or biodiesel fuel.
14 5 COST-SHARE AGREEMENTS. The bill provides that a cost-share
14 6 agreement executed by the infrastructure board and a
14 7 participating person receiving financial incentives to improve
14 8 a retail motor fuel site cannot exceed three years. It
14 9 provides that the board may waive a requirement that a
14 10 participating person keep biodiesel fuel during any
14 11 three-month period during the winter, if the cost-share
14 12 agreement is extended to cover those waived months.

14 13 A participating person may execute two cost-share
14 14 agreements: (1) to receive up to the full amount available to
14 15 improve their retail motor fuel site with ethanol
14 16 infrastructure, and (2) to receive up to the full amount
14 17 available to improve the same retail motor fuel site with
14 18 biodiesel infrastructure.

14 19 For ethanol infrastructure used to improve a motor fuel
14 20 site, the amount of the financing is increased from \$30,000 to
14 21 \$50,000, so long as the financing does not exceed 50 percent
14 22 of the cost of making the improvement. For biodiesel
14 23 infrastructure used to improve a motor fuel site, the amount
14 24 of financing shall not exceed 50 percent of the cost of making
14 25 the improvement or \$50,000, whichever is less.

14 26 The bill amends provisions relating to the renewable fuel
14 27 infrastructure program for biodiesel terminals, by increasing
14 28 the amount that a participating person is eligible to receive
14 29 from \$50,000 to \$100,000 for installing improvements to store
14 30 and dispense B-99 to B-100. The bill retains the alternative
14 31 cap of 50 percent of making the improvement. It also provides
14 32 that a person who has made such improvements under an old
14 33 cost-share agreement may be reimbursed for the extra amount.

14 34 MOTOR FUEL STANDARDS. The bill provides a definition of
14 35 unleaded gasoline including by providing that it contains an
15 1 octane number of 87, and limits the amount of lead or
15 2 phosphorus. It provides standards for unleaded gasoline
15 3 blended with ethanol based on A.S.T.M. specifications. It
15 4 requires that a retail dealer advertising motor fuel
15 5 containing between 70 and 85 percent ethanol must be
15 6 advertised as "E-85".

15 7 AUTHORIZATION TO USE BLENDER PUMPS. The bill amends Code
15 8 section 455G.31 which allows the state fire marshal to approve
15 9 the installation of infrastructure associated with storing and
15 10 dispensing E-85. The bill provides that such infrastructure
15 11 includes blender pumps.

15 12 FUTURE SOURCES OF REVENUE. The bill includes a provision
15 13 expressing the intent of the general assembly to examine all
15 14 options to continue the financing of renewable fuel
15 15 infrastructure.

15 16 DIVISION II == ETHANOL PROMOTION TAX CREDIT. The bill
15 17 amends Code section 422.11N, which allows a retail dealer to
15 18 claim an ethanol promotion tax credit based on a formula which
15 19 calculates a retail dealer's biofuel distribution percentage
15 20 (the sum of the retail dealer's total ethanol gallonage plus
15 21 the retail dealer's total biodiesel gallonage expressed as a
15 22 percentage of the retail dealer's total gasoline gallonage).
15 23 The Code section allows the governor to reduce the applicable
15 24 biofuel threshold percentage by replacing it with an adjusted
15 25 biofuel threshold percentage if exigent circumstances exist
15 26 (e.g., a lack of available feedstock). The bill provides a
15 27 new exigent circumstance based on a hardship imposed on the
15 28 state and its driving public due to shortages of motor fuel or
15 29 a dramatic increase in the price of motor fuel.

15 30 BIODIESEL TAX CREDIT. The bill amends provisions relating
15 31 to the biodiesel blended fuel tax credit available to a retail
15 32 dealer of diesel fuel who sells 50 percent or more biodiesel
15 33 blended fuel during each tax year until the tax credit expires
15 34 on January 1, 2012. The tax credit is based on the total
15 35 number of gallons sold. The bill provides that the tax credit
16 1 must be calculated separately for each retail motor fuel site
16 2 operated by the taxpayer. The bill eliminates a requirement
16 3 that a retail dealer must sell 50 percent or more biodiesel
16 4 blended fuel. The bill replaces the rate of 3 cents for each
16 5 gallon of B=2 or higher sold, with a schedule which increases
16 6 the rate depending upon the class of biodiesel blended fuel
16 7 sold (from 3 cents for B=2 to 30 cents for B=20 or higher).
16 8 The bill applies retroactively to the tax year beginning on or
16 9 after January 1, 2008.

16 10 DIVISION III == RENEWABLE FUEL REPORTING REQUIREMENTS. The
16 11 bill amends provisions that require a retail dealer to submit

16 12 periodic reports to the department of revenue tracking motor
16 13 fuel and biofuel sold at each retail motor fuel site. The
16 14 bill provides that the department of revenue is responsible
16 15 for tracking motor fuel and biofuel use.
16 16 DIVISION IV == EFFECTIVE DATE. The bill takes effect upon
16 17 enactment.
16 18 LSB 6451YC 82
16 19 da/nh/5.1