

Senate File 2224 - Introduced

SENATE FILE 2224

BY COMMITTEE ON TRANSPORTATION

(SUCCESSOR TO SSB 3141)

A BILL FOR

1 An Act relating to funding for Iowa roads, including by
2 increasing the excise tax on motor fuel and special fuel
3 used in motor vehicles, providing for the use of certain
4 revenues, providing for related studies, evaluations, and
5 reports, and including effective date provisions.

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

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DIVISION I
MOTOR FUEL TAX

Section 1. Section 312.2, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 21. *a.* The treasurer of state, before making the allotments provided for in this section, shall credit monthly from the road use tax fund to the TIME-21 fund created in section 312A.2 the revenue accruing to the road use tax fund from the excise tax on motor fuel and special fuel for motor vehicles in the amount equal to the revenues collected as follows:

(1) For the period beginning January 1, 2013, and ending December 31, 2013, the following amounts:

(a) The amount of excise tax collected under section 452A.3, subsection 1, paragraph "c", from five cents per gallon.

(b) The amount of excise tax on special fuel for diesel engines of motor vehicles, other than biodiesel blended fuel classified as B-10 or higher, collected under section 452A.3, subsection 3, paragraph "a", subparagraph (2), from five cents per gallon.

(2) Beginning January 1, 2014, the following amounts:

(a) The amount of excise tax collected under section 452A.3, subsection 1, paragraph "d", or section 452A.3, subsection 1A, from ten cents per gallon.

(b) The amount of excise tax on special fuel for diesel engines of motor vehicles, other than biodiesel blended fuel classified as B-10 or higher, collected under section 452A.3, subsection 3, paragraph "a", subparagraph (3), from ten cents per gallon.

b. This subsection is repealed June 30, 2028.

Sec. 2. Section 452A.3, subsection 1, paragraph b, unnumbered paragraph 1, Code 2011, is amended to read as follows:

The Prior to January 1, 2013, the rate for the excise tax shall be as follows:

1 Sec. 3. Section 452A.3, subsection 1, Code 2011, is amended
2 by adding the following new paragraphs:

3 NEW PARAGRAPH. *c.* For the period beginning January 1, 2013,
4 and ending December 31, 2013, the rate for the excise tax shall
5 be as follows:

6 (1) If the distribution percentage is not greater than
7 fifty percent, the rate shall be twenty-four cents for ethanol
8 blended gasoline and twenty-five cents for motor fuel other
9 than ethanol blended gasoline.

10 (2) If the distribution percentage is greater than fifty
11 percent but not greater than fifty-five percent, the rate
12 shall be twenty-four cents for ethanol blended gasoline and
13 twenty-five and one-tenth cents for motor fuel other than
14 ethanol blended gasoline.

15 (3) If the distribution percentage is greater than
16 fifty-five percent but not greater than sixty percent, the rate
17 shall be twenty-four cents for ethanol blended gasoline and
18 twenty-five and three-tenths cents for motor fuel other than
19 ethanol blended gasoline.

20 (4) If the distribution percentage is greater than sixty
21 percent but not greater than sixty-five percent, the rate
22 shall be twenty-four cents for ethanol blended gasoline and
23 twenty-five and five-tenths cents for motor fuel other than
24 ethanol blended gasoline.

25 (5) If the distribution percentage is greater than
26 sixty-five percent but not greater than seventy percent, the
27 rate shall be twenty-four cents for ethanol blended gasoline
28 and twenty-five and seven-tenths cents for motor fuel other
29 than ethanol blended gasoline.

30 (6) If the distribution percentage is greater than seventy
31 percent but not greater than seventy-five percent, the rate
32 shall be twenty-four cents for ethanol blended gasoline and
33 twenty-six cents for motor fuel other than ethanol blended
34 gasoline.

35 (7) If the distribution percentage is greater than

1 seventy-five percent but not greater than eighty percent, the
2 rate shall be twenty-four and three-tenths cents for ethanol
3 blended gasoline and twenty-five and eight-tenths cents for
4 motor fuel other than ethanol blended gasoline.

5 (8) If the distribution percentage is greater than eighty
6 percent but not greater than eighty-five percent, the rate
7 shall be twenty-four and five-tenths cents for ethanol blended
8 gasoline and twenty-five and seven-tenths cents for motor fuel
9 other than ethanol blended gasoline.

10 (9) If the distribution percentage is greater than
11 eighty-five percent but not greater than ninety percent, the
12 rate shall be twenty-four and seven-tenths cents for ethanol
13 blended gasoline and twenty-five and four-tenths cents for
14 motor fuel other than ethanol blended gasoline.

15 (10) If the distribution percentage is greater than ninety
16 percent but not greater than ninety-five percent, the rate
17 shall be twenty-four and nine-tenths cents for ethanol blended
18 gasoline and twenty-five and one-tenth cents for motor fuel
19 other than ethanol blended gasoline.

20 (11) If the distribution percentage is greater than
21 ninety-five percent, the rate shall be twenty-five cents for
22 ethanol blended gasoline and twenty-five cents for motor fuel
23 other than ethanol blended gasoline.

24 NEW PARAGRAPH. *d.* For the period beginning January 1, 2014,
25 and ending June 30, 2022, the rate for the excise tax shall be
26 as follows:

27 (1) If the distribution percentage is not greater than
28 fifty percent, the rate shall be twenty-nine cents for ethanol
29 blended gasoline and thirty cents for motor fuel other than
30 ethanol blended gasoline.

31 (2) If the distribution percentage is greater than fifty
32 percent but not greater than fifty-five percent, the rate shall
33 be twenty-nine cents for ethanol blended gasoline and thirty
34 and one-tenth cents for motor fuel other than ethanol blended
35 gasoline.

1 (3) If the distribution percentage is greater than
2 fifty-five percent but not greater than sixty percent, the rate
3 shall be twenty-nine cents for ethanol blended gasoline and
4 thirty and three-tenths cents for motor fuel other than ethanol
5 blended gasoline.

6 (4) If the distribution percentage is greater than sixty
7 percent but not greater than sixty-five percent, the rate shall
8 be twenty-nine cents for ethanol blended gasoline and thirty
9 and five-tenths cents for motor fuel other than ethanol blended
10 gasoline.

11 (5) If the distribution percentage is greater than
12 sixty-five percent but not greater than seventy percent, the
13 rate shall be twenty-nine cents for ethanol blended gasoline
14 and thirty and seven-tenths cents for motor fuel other than
15 ethanol blended gasoline.

16 (6) If the distribution percentage is greater than seventy
17 percent but not greater than seventy-five percent, the rate
18 shall be twenty-nine cents for ethanol blended gasoline and
19 thirty-one cents for motor fuel other than ethanol blended
20 gasoline.

21 (7) If the distribution percentage is greater than
22 seventy-five percent but not greater than eighty percent, the
23 rate shall be twenty-nine and three-tenths cents for ethanol
24 blended gasoline and thirty and eight-tenths cents for motor
25 fuel other than ethanol blended gasoline.

26 (8) If the distribution percentage is greater than eighty
27 percent but not greater than eighty-five percent, the rate
28 shall be twenty-nine and five-tenths cents for ethanol blended
29 gasoline and thirty and seven-tenths cents for motor fuel other
30 than ethanol blended gasoline.

31 (9) If the distribution percentage is greater than
32 eighty-five percent but not greater than ninety percent, the
33 rate shall be twenty-nine and seven-tenths cents for ethanol
34 blended gasoline and thirty and four-tenths cents for motor
35 fuel other than ethanol blended gasoline.

1 (10) If the distribution percentage is greater than ninety
2 percent but not greater than ninety-five percent, the rate
3 shall be twenty-nine and nine-tenths cents for ethanol blended
4 gasoline and thirty and one-tenth cents for motor fuel other
5 than ethanol blended gasoline.

6 (11) If the distribution percentage is greater than
7 ninety-five percent, the rate shall be thirty cents for ethanol
8 blended gasoline and thirty cents for motor fuel other than
9 ethanol blended gasoline.

10 Sec. 4. Section 452A.3, subsection 1A, Code 2011, is amended
11 to read as follows:

12 1A. Except as otherwise provided in this section and in this
13 division, after June 30, ~~2012~~ 2022, an excise tax of ~~twenty~~
14 thirty cents is imposed on each gallon of motor fuel used for
15 any purpose for the privilege of operating motor vehicles in
16 this state.

17 Sec. 5. Section 452A.3, subsection 3, Code 2011, is amended
18 to read as follows:

19 3. a. For the privilege of operating motor vehicles or
20 aircraft in this state, there is imposed an excise tax on the
21 use of special fuel in a motor vehicle or aircraft. ~~The~~

22 (1) Prior to January 1, 2013, the tax rate on special fuel
23 for diesel engines of motor vehicles is twenty-two and one-half
24 cents per gallon.

25 (2) For the period beginning January 1, 2013, and ending
26 December 31, 2013, the tax rate on biodiesel blended fuel
27 classified as B-10 or higher for diesel engines of motor
28 vehicles is twenty-two and one-half cents per gallon and the
29 tax rate on special fuel for diesel engines of motor vehicles
30 other than biodiesel blended fuel classified as B-10 or higher
31 is twenty-seven and one-half cents per gallon.

32 (3) Beginning January 1, 2014, the tax rate on biodiesel
33 blended fuel classified as B-10 or higher for diesel engines
34 of motor vehicles is twenty-two and one-half cents per gallon
35 and the tax rate on special fuel for diesel engines of motor

1 vehicles other than biodiesel blended fuel classified as B-10
2 or higher is thirty-two and one-half cents per gallon.

3 (4) The rate of tax on special fuel for aircraft is three
4 cents per gallon.

5 (5) On all other special fuel, unless otherwise specified in
6 this section, the per gallon rate is the same as the motor fuel
7 tax.

8 b. Indelible dye meeting United States environmental
9 protection agency and internal revenue service regulations must
10 be added to fuel before or upon withdrawal at a terminal or
11 refinery rack for that fuel to be exempt from tax and the dyed
12 fuel may be used only for an exempt purpose.

13 Sec. 6. APPLICABILITY — INVENTORY TAX. Notwithstanding
14 section 452A.85, persons who have title to motor fuel, ethanol
15 blended gasoline, undyed special fuel, compressed natural gas,
16 or liquefied petroleum gas in storage and held for sale on
17 the effective date of an increase in the rate of excise tax
18 imposed on motor fuel, ethanol blended gasoline, or special
19 fuel pursuant to this division of this Act shall not be subject
20 to an inventory tax on the gallonage in storage as provided in
21 section 452A.85 as a result of the tax increases provided in
22 this division of this Act.

23 DIVISION II

24 ROAD FUNDING NEEDS — EQUITABLE SOLUTIONS

25 Sec. 7. Section 307.31, Code 2011, is amended to read as
26 follows:

27 **307.31 Periodic review of revenues — evaluation of**
28 **alternative funding sources.**

29 1. The department shall periodically review the current
30 revenue levels of the road use tax fund and the sufficiency of
31 those revenues for the projected construction and maintenance
32 needs of city, county, and state governments in the future.
33 The department shall submit a written report to the general
34 assembly regarding its findings by December 31 every ~~five~~
35 two years, beginning in ~~2011~~ 2013. The report may include

1 recommendations concerning funding levels needed to support the
2 future mobility and accessibility for users of Iowa's public
3 road system.

4 2. The department shall evaluate alternative funding
5 sources for road maintenance and construction and report to
6 the general assembly at least every ~~five~~ two years on the
7 advantages and disadvantages and the viability of alternative
8 funding mechanisms. The department's evaluation of alternative
9 funding sources may be included in the report submitted to the
10 general assembly under subsection 1.

11 Sec. 8. NEW SECTION. 307.32 **Operation, maintenance, and**
12 **improvement of state roads — annual review.**

13 The department shall convene a meeting, at least annually,
14 of representatives of Iowa cities and counties and the
15 department to review practices relating to the operation,
16 maintenance, and improvement of the state's public road system
17 and to identify ways to jointly increase the efficiency of
18 those practices.

19 Sec. 9. **ALTERNATIVELY FUELED, HYBRID, AND HIGH FUEL**
20 **EFFICIENCY VEHICLES.** The department of transportation shall
21 evaluate mechanisms that could be used as an alternative
22 to the motor fuel tax in relation to alternatively fueled,
23 hybrid, and high fuel efficiency vehicles, including commercial
24 vehicles, to assure that owners and operators of those vehicles
25 are required to share in the cost of maintaining, operating,
26 and improving Iowa roads. The department shall recommend an
27 alternative funding mechanism in its next report to the general
28 assembly regarding alternative funding sources for roads as
29 required under section 307.31.

30 Sec. 10. **EQUITABLE FEE STUDY.** The department of
31 transportation shall conduct a study to determine whether
32 the various types of vehicles and equipment using the public
33 roadways are paying equitable fees used for the construction
34 and maintenance of Iowa roads. The department shall report
35 its findings and any recommendations to the general assembly

1 by June 30, 2012.

2 Sec. 11. EFFECTIVE UPON ENACTMENT. The following provision
3 of this Act, being deemed of immediate importance, takes effect
4 upon enactment:

5 1. The section of this Act relating to an equitable fee
6 study to be conducted by the department of transportation.

7 EXPLANATION

8 This bill contains various provisions relating to the
9 funding of Iowa roads.

10 DIVISION I — MOTOR FUEL TAX. The bill increases the excise
11 tax on motor fuel and special fuel used in motor vehicles,
12 other than biodiesel blended fuel classified as B-10 or higher,
13 by five cents beginning January 1, 2013, and by an additional
14 five cents beginning January 1, 2014. The additional revenues
15 shall be credited to the TIME-21 fund, subject to the statutory
16 limitation on annual deposits to that fund. After the repeal
17 of the TIME-21 fund on June 30, 2028, the revenues will accrue
18 to the road use tax fund.

19 The bill provides that the distribution percentage formula
20 for determining the difference in the excise tax imposed on
21 ethanol blended gasoline and motor fuel other than ethanol
22 blended gasoline, which is due to expire on June 30, 2012, is
23 extended until June 30, 2022.

24 Pursuant to current law, when the rate of excise tax on
25 motor fuel, ethanol blended gasoline, undyed special fuel,
26 compressed natural gas, or liquefied petroleum gas is increased
27 by more than one-half cent per gallon, a person who has title
28 to such fuel held in storage for eventual sale is subject to an
29 inventory tax based on the gallonage in storage at the close of
30 the business day preceding the effective date of the increase.
31 The bill waives that requirement by stating that the inventory
32 tax shall not be imposed as a result of the tax increases
33 provided in the bill.

34 DIVISION II — ROAD FUNDING NEEDS — EQUITABLE SOLUTIONS.

35 Under current law, the department of transportation is required

1 to periodically review current road use tax fund revenues
2 and the sufficiency of those revenues to meet projected
3 construction and maintenance needs of cities, counties, and the
4 state and submit a report of its findings and recommendations
5 to the general assembly every five years. The bill requires
6 more frequent reports, every two years. In addition, the
7 department is currently required to report to the general
8 assembly at least every five years regarding the viability of
9 alternative funding mechanisms for roads. The bill requires
10 that the report on alternative funding mechanisms be made at
11 least every two years.

12 The bill requires the department to convene a meeting of
13 representatives of Iowa cities, counties, and the department at
14 least annually to review practices relating to the operation,
15 maintenance, and improvement of the state's public road system
16 and identify ways to jointly increase efficiency.

17 The bill requires the department to evaluate and recommend
18 mechanisms to be used as an alternative to the motor fuel tax
19 for alternatively fueled, hybrid, and high fuel efficiency
20 vehicles including commercial vehicles. The department's
21 recommendations are to be included in its next periodic report
22 to the general assembly regarding alternative funding sources.
23 That report is due by December 31, 2013.

24 The department is also required to conduct a study to
25 determine whether the various types of vehicles and equipment
26 that use the public roadways are paying equitable fees in
27 support of Iowa roads. The department shall report its
28 findings and any recommendations to the general assembly by
29 June 30, 2012. This provision of the bill is effective upon
30 enactment.