

**House File 2414 - Introduced**

HOUSE FILE 2414

BY SHEETS

**A BILL FOR**

1 An Act providing for excise taxes on motor fuel and special  
2 fuel used in motor vehicles to be based on the wholesale  
3 price of the fuel, and including effective date provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 452A.3, subsection 1, Code 2014, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 1. Except as otherwise provided in this section and in  
5 this division, this subsection shall apply to the excise tax  
6 imposed on each gallon of motor fuel used for any purpose for  
7 the privilege of operating motor vehicles in this state. The  
8 rate of the excise tax shall be a percentage of the sales price  
9 of motor fuel distributed in the state. The rate shall be  
10 established by the department on the effective date of this  
11 Act by calculating the percentage of the wholesale price of  
12 a gallon of motor fuel that represents an amount equivalent  
13 to the amount of revenue produced by a tax rate of twenty  
14 cents per gallon, rounded to the nearest one-half of one  
15 percent. For purposes of this subsection, the wholesale price  
16 of motor fuel shall be the price reported for the midwest  
17 in the most recent weekly price report issued by the United  
18 States department of energy, United States energy information  
19 administration, as of the effective date of this Act.

20 Sec. 2. Section 452A.3, subsection 1A, Code 2014, is amended  
21 by striking the subsection.

22 Sec. 3. Section 452A.3, subsection 1C, Code 2014, is amended  
23 to read as follows:

24 1C. The rate of the excise tax on E-85 gasoline imposed  
25 in subsection 1B shall be determined based on the number of  
26 gallons of E-85 gasoline that are distributed in this state  
27 during the previous calendar year. The department shall  
28 determine the actual tax paid for E-85 gasoline for each period  
29 beginning January 1 and ending December 31. The amount of  
30 the tax paid on E-85 gasoline during the past calendar year  
31 shall be compared to the amount of tax on E-85 gasoline that  
32 would have been paid using the tax rate for gasoline imposed  
33 in subsection 1 ~~or 1A~~ and a difference shall be established.  
34 If this difference is equal to or greater than twenty-five  
35 thousand dollars, the tax rate for E-85 gasoline for the period

1 beginning July 1 following the end of the determination period  
2 shall be the rate in effect as stated in subsection 1 ~~or 1A.~~

3 Sec. 4. Section 452A.3, subsection 3, Code 2014, is amended  
4 to read as follows:

5 3. a. For the privilege of operating motor vehicles or  
6 aircraft in this state, there is imposed an excise tax on the  
7 use of special fuel in a motor vehicle or aircraft. ~~The tax~~  
8 ~~rate on special fuel for diesel engines of motor vehicles is~~  
9 ~~twenty-two and one-half cents per gallon.~~ as follows:

10 (1) The rate of the excise tax on special fuel for diesel  
11 engines of motor vehicles shall be a percentage of the sales  
12 price of diesel fuel distributed in the state. The rate shall  
13 be established by the department on the effective date of this  
14 Act by calculating the percentage of the wholesale price of  
15 a gallon of diesel fuel that represents an amount equivalent  
16 to the amount of revenue produced by a tax rate of twenty-two  
17 and one-half cents per gallon, rounded to the nearest one-half  
18 of one percent. For purposes of this subparagraph, the  
19 wholesale price of diesel fuel shall be the price reported for  
20 the midwest in the most recent weekly price report issued by  
21 the United States department of energy, United States energy  
22 information administration, as of the effective date of this  
23 Act.

24 (2) The rate of tax on special fuel for aircraft is three  
25 cents per gallon.

26 (3) On all other special fuel, unless otherwise specified in  
27 this section, the ~~per gallon~~ rate is the same as the motor fuel  
28 tax.

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

34 Sec. 5. EFFECTIVE UPON ENACTMENT. This Act, being deemed of  
35 immediate importance, takes effect upon enactment.

1

EXPLANATION

2

The inclusion of this explanation does not constitute agreement with  
the explanation's substance by the members of the general assembly.

3

4 Currently, the rate of the excise tax on a gallon of motor  
5 fuel is linked to the distribution percentage of ethanol  
6 blended gasoline and fuel other than ethanol blended gasoline  
7 sold in this state, but beginning July 1, 2014, the tax rate  
8 for both ethanol blended gasoline and motor fuel other than  
9 ethanol blended gasoline will be 20 cents per gallon. The  
10 current rate of the excise tax on special fuel for diesel  
11 engines of motor vehicles is 22.5 cents per gallon.

12 This bill replaces the current per-gallon tax rates on motor  
13 fuel and special fuel for diesel engines of motor vehicles with  
14 tax rates expressed as a percentage of the sales price.

15 The new motor fuel tax rate established in the bill will  
16 be a percentage of the wholesale price of a gallon of motor  
17 fuel that represents an amount per gallon that is equivalent  
18 to the amount of revenue produced by the current tax rate of 20  
19 cents per gallon, rounded to the nearest one-half of 1 percent.  
20 The new rate will be established on the effective date of the  
21 Act, based on the wholesale price reported for the midwest  
22 in the most recent weekly price report issued by the United  
23 States energy information administration as of that date. By  
24 operation of law, the rate determined under the bill for motor  
25 fuel is also the rate for special fuel that is not for diesel  
26 engines of motor vehicles or for aircraft, and under specified  
27 circumstances, the rate determined under the bill for motor  
28 fuel may also be the rate for E-85 gasoline.

29 The new tax rate for special fuel for diesel engines of motor  
30 vehicles will be established on the effective date of the Act  
31 in the same manner as the tax rate for motor fuel. The rate is  
32 a percentage of the wholesale price of a gallon of diesel fuel  
33 that represents an amount equivalent to the amount of revenue  
34 produced by the current tax rate of 22.5 cents per gallon,  
35 rounded to the nearest one-half of 1 percent. The wholesale

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1 price is the price reported for the midwest in the most  
2 recent weekly price report issued by the United States energy  
3 information administration as of the effective date of the Act.  
4 The bill takes effect upon enactment.