

House Study Bill 519 - Introduced

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

A BILL FOR

1 An Act providing for tax credits and refunds relating to
2 renewable fuels including their component biofuels and
3 including effective date and retroactive applicability
4 provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I

2 INCOME TAX — E-15 PLUS GASOLINE PROMOTION TAX CREDIT

3 Section 1. Section 422.11Y, subsection 9, Code 2016, is
4 amended to read as follows:

5 9. This section is repealed on January 1, ~~2018~~ 2025.

6 Sec. 2. Section 422.33, subsection 11D, paragraph c, Code
7 2016, is amended to read as follows:

8 c. This subsection is repealed on January 1, ~~2018~~ 2025.

9 Sec. 3. 2011 Iowa Acts, chapter 113, section 37, is amended
10 to read as follows:

11 SEC. 37. TAX CREDIT AVAILABILITY. For a retail dealer who
12 may claim an E-15 plus gasoline promotion tax credit under
13 section 422.11Y or 422.33, subsection 11D, as enacted in this
14 Act and amended in subsequent Acts, in calendar year ~~2017~~
15 2024, and whose tax year ends prior to December 31, ~~2017~~ 2024,
16 the retail dealer may continue to claim the tax credit in the
17 retail dealer's following tax year. In that case, the tax
18 credit shall be calculated in the same manner as provided in
19 section 422.11Y or 422.33, subsection 11D, as enacted in this
20 Act and amended in subsequent Acts, for the remaining period
21 beginning on the first day of the retail dealer's new tax year
22 until December 31, ~~2017~~ 2024. For that remaining period, the
23 tax credit shall be calculated in the same manner as a retail
24 dealer whose tax year began on the previous January 1 and who
25 is calculating the tax credit on December 31, ~~2017~~ 2024.

26 DIVISION II

27 INCOME TAX — E-85 GASOLINE PROMOTION TAX CREDIT

28 Sec. 4. Section 422.110, subsection 8, Code 2016, is amended
29 to read as follows:

30 8. This section is repealed on January 1, ~~2018~~ 2025.

31 Sec. 5. Section 422.33, subsection 11B, paragraph c, Code
32 2016, is amended to read as follows:

33 c. This subsection is repealed on January 1, ~~2018~~ 2025.

34 Sec. 6. 2006 Iowa Acts, chapter 1142, section 49, subsection
35 3, as amended by 2011 Iowa Acts, chapter 113, section 20, is

1 amended to read as follows:

2 3. For a retail dealer who may claim an E-85 gasoline
3 promotion tax credit under [section 422.110](#) or 422.33,
4 subsection 11B, as enacted in this Act and amended in
5 subsequent Acts, in calendar year ~~2017~~ 2024 and whose tax
6 year ends prior to December 31, ~~2017~~ 2024, the retail dealer
7 may continue to claim the tax credit in the retail dealer's
8 following tax year. In that case, the tax credit shall be
9 calculated in the same manner as provided in [section 422.110](#)
10 or [422.33, subsection 11B](#), as enacted in this Act and amended
11 in subsequent Acts, for the remaining period beginning on the
12 first day of the retail dealer's new tax year until December
13 31, ~~2017~~ 2024. For that remaining period, the tax credit shall
14 be calculated in the same manner as a retail dealer whose tax
15 year began on the previous January 1 and who is calculating the
16 tax credit on December 31, ~~2017~~ 2024.

DIVISION III

INCOME TAX — BIODIESEL BLENDED FUEL TAX CREDIT

19 Sec. 7. Section 422.11P, subsections 4 and 8, Code 2016, are
20 amended to read as follows:

21 4. For a retail dealer whose tax year is on a calendar year
22 basis, the retail dealer shall calculate the amount of the tax
23 credit by multiplying a designated rate by the retail dealer's
24 total biodiesel blended fuel gallonage as provided in section
25 452A.31 which qualifies under this subsection.

26 a. ~~In calendar year 2012, in~~ In order to qualify for the tax
27 credit, the biodiesel blended fuel must be classified as B-2
28 B-5 or higher.

~~(1) For biodiesel blended fuel classified as B-2 or higher but not as high as B-5, the designated rate is two cents.~~

31 ~~(2)~~ b. (1) For biodiesel blended fuel classified as B-5
32 or higher but not as high as B-11, the designated rate is four
33 and one-half cents.

~~b. (2) In calendar year 2013 and for each subsequent~~
~~calendar year, in order to qualify for the tax credit, the~~

1 For biodiesel blended fuel ~~must be~~ classified as ~~B-5~~ B-11 or
2 higher. ~~The, the~~ designated rate for the ~~qualifying biodiesel~~
3 ~~blended fuel~~ is ~~four and one-half~~ seven cents.

4 8. This section is repealed January 1, ~~2018~~ 2025.

5 Sec. 8. Section 422.33, subsection 11C, paragraph c, Code
6 2016, is amended to read as follows:

7 c. This subsection is repealed on January 1, ~~2018~~ 2025.

8 Sec. 9. 2011 Iowa Acts, chapter 113, section 31, is amended
9 to read as follows:

10 SEC. 31. TAX CREDIT AVAILABILITY. For a retail dealer
11 who may claim a biodiesel blended fuel promotion tax credit
12 under section 422.11P or 422.33, subsection 11C, as amended
13 in this Act and amended in subsequent Acts, in calendar year
14 ~~2017~~ 2024, and whose tax year ends prior to December 31, ~~2017~~
15 2024, the retail dealer may continue to claim the tax credit in
16 the retail dealer's following tax year. In that case, the tax
17 credit shall be calculated in the same manner as provided in
18 section 422.11P or 422.33, subsection 11C, as amended in this
19 Act and amended in subsequent Acts, for the remaining period
20 beginning on the first day of the retail dealer's new tax year
21 until December 31, ~~2017~~ 2024. For that remaining period, the
22 tax credit shall be calculated in the same manner as a retail
23 dealer whose tax year began on the previous January 1 and who
24 is calculating the tax credit on December 31, ~~2017~~ 2024.

25 Sec. 10. EFFECTIVE UPON ENACTMENT. This division of this
26 Act, being deemed of immediate importance, takes effect upon
27 enactment.

28 Sec. 11. RETROACTIVE APPLICABILITY. Section 422.11P,
29 as amended in this division of this Act, and section 422.33,
30 subsection 11C, as amended in this division of this Act and
31 applied due to this division of this Act, apply retroactively
32 to tax years beginning on and after January 1, 2016.

33 DIVISION IV

34 SALES AND USE TAX — BIODIESEL PRODUCTION REFUND

35 Sec. 12. Section 423.4, subsection 9, paragraph e, Code

1 2016, is amended to read as follows:

2 e. This subsection is repealed on January 1, ~~2018~~ 2025.

3 DIVISION V

4 FUTURE REPEALS

5 Sec. 13. Section 422.11O, subsection 5, Code 2016, is
6 amended to read as follows:

7 5. ~~a.~~ A retail dealer is eligible to claim an E-85 gasoline
8 promotion tax credit as provided in this section even though
9 the retail dealer claims ~~one or all of the following related~~
10 ~~tax credits:~~

11 ~~(1) The ethanol promotion tax credit pursuant to section~~
12 ~~422.11N.~~

13 ~~(2) The an~~ E-15 plus gasoline promotion tax credit pursuant
14 to section 422.11Y.

15 ~~b. (1) The retail dealer may claim the E-85 gasoline~~
16 ~~promotion tax credit and one or more of the related tax credits~~
17 ~~as provided in paragraph "a" for the same tax year.~~

18 ~~(2) The retail dealer may claim the ethanol promotion~~
19 ~~tax credit as provided in paragraph "a" for the same ethanol~~
20 ~~gallongage used to calculate and claim the E-85 gasoline~~
21 ~~promotion tax credit.~~

22 Sec. 14. Section 422.11Y, subsection 6, Code 2016, is
23 amended to read as follows:

24 6. ~~a.~~ A retail dealer is eligible to claim an E-15 plus
25 gasoline promotion tax credit as provided in this section even
26 though the retail dealer claims ~~one or all of the following~~
27 ~~related tax credits:~~

28 ~~(1) The ethanol promotion tax credit pursuant to section~~
29 ~~422.11N.~~

30 ~~(2) The an~~ E-85 gasoline promotion tax credit pursuant to
31 section 422.11O.

32 ~~b. (1) The retail dealer may claim the E-15 plus gasoline~~
33 ~~promotion tax credit and one or more of the related tax credits~~
34 ~~as provided in paragraph "a" for the same tax year.~~

35 ~~(2) The retail dealer may claim the ethanol promotion~~

~~1 tax credit as provided in paragraph "a" for the same ethanol~~
~~2 gallonage used to calculate and claim the E-15 plus gasoline~~
~~3 promotion tax credit.~~

4 Sec. 15. REPEAL. Any intervening provision effective prior
5 to the effective date of this division of this Act that amends
6 section 422.110, subsection 5, or section 422.11Y, subsection
7 6, as amended in this division of this Act, is repealed, unless
8 that Act or another Act specifically provides otherwise.

9 Sec. 16. EFFECTIVE DATE. This division of this Act takes
10 effect January 1, 2021.

EXPLANATION

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

14 BIOFUELS TAX CREDIT AND REFUND EXTENSIONS. This bill
15 extends the expiration date of four biofuel tax programs from
16 January 1, 2018, to January 1, 2025, including three income tax
17 credits and one sales and use tax refund.

18 BIODIESEL FUEL TAX CREDIT — INCREASED TAX CREDIT RATE FOR
19 B-11 OR HIGHER. The bill increases the designated tax credit
20 rate for the sale of biodiesel blended fuel classified as
21 B-11 or higher from 4.5 to 7 cents per gallon, retroactively
22 applicable to tax years beginning on or after January 1, 2016.

23 BACKGROUND. A biofuel is a substance blended with motor fuel
24 (gasoline or diesel fuel) and includes either ethanol (ethyl
25 alcohol) or biodiesel (a substance derived from vegetable
26 oils or animal fats) meeting state standards (Code section
27 214A.2). A motor fuel blended with a biofuel is referred to
28 as a renewable fuel. The amount of the tax credit or refund
29 is claimed by a taxpayer on a tax or calendar year basis after
30 multiplying the total gallonage of a qualifying renewable fuel
31 or biofuel times a designated monetary rate.

32 CURRENT INCOME TAX CREDITS. The income tax credits may
33 be claimed by a retail dealer operating a retail motor fuel
34 site and the amount of each tax credit is based on the total
35 number of gallons of a renewable fuel sold. The E-15 plus

1 gasoline promotion tax credit requires an ethanol content of
2 between 15 and 69 percent per gallon and the designated rate
3 equals 3 cents except between June 1 and September 15 when
4 the designated rate increases to 10 cents. The E-85 gasoline
5 promotion tax credit requires an ethanol content of between
6 70 and 85 percent per gallon and the designated rate equals
7 16 cents. The biodiesel blended fuel tax credit requires a
8 biodiesel content of at least 5 percent per gallon (B-5) and
9 the designated rate equals 4.5 cents.

10 SALES AND USE TAX REFUND. The sales and use tax refund may
11 be claimed by a biodiesel producer who manufactures biodiesel
12 for use in biodiesel blended fuel. The amount of the refund
13 equals the total number of gallons of biodiesel produced during
14 each calendar year quarter multiplied by a designated rate
15 of 2 cents. However, a producer cannot claim the refund on
16 more than 25 million gallons produced at any one manufacturing
17 facility.

18 FUTURE REPEAL OF REFERENCES TO THE ETHANOL PROMOTION TAX
19 CREDIT. The bill amends Code sections creating the E-85
20 gasoline promotion tax credit and the E-15 plus gasoline
21 promotion tax credit by repealing references to another tax
22 credit referred to as the ethanol promotion tax credit claimed
23 by a retail dealer who attains a certain threshold number of
24 all biofuels sold during a determination period and which is
25 based on the number of gallons of pure ethanol sold during that
26 period. The amendments become effective on January 1, 2021,
27 which is the date that the ethanol promotion tax credit is due
28 to expire.