House Study Bill 519 - Introduced

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

A BILL FOR

An Act providing for tax credits and refunds relating to renewable fuels including their component biofuels and including effective date and retroactive applicability provisions.

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

DIVISION I

INCOME TAX — E-15 PLUS GASOLINE PROMOTION TAX CREDIT

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

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 This section is repealed on January 1, ~~2018~~ 2025.

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

c. This subsection is repealed on January 1, ~~2018~~ 2025.

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

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

DIVISION II

INCOME TAX — E-85 GASOLINE PROMOTION TAX CREDIT

Sec. 4. Section 422.11O, subsection 8, Code 2016, is amended to read as follows:

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 This section is repealed on January 1, ~~2018~~ 2025.

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

c. This subsection is repealed on January 1, ~~2018~~ 2025.

Sec. 6. 2006 Iowa Acts, chapter 1142, section 49, subsection 3, as amended by 2011 Iowa Acts, chapter 113, section 20, is amended to read as follows:

3. For a retail dealer who may claim an E-85 gasoline promotion tax credit under section 422.11O or 422.33, subsection 11B, as enacted in this Act and amended in subsequent Acts, in calendar year ~~2017~~ 2024 and whose tax year ends prior to December 31, ~~2017~~ 2024, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11O or 422.33, subsection 11B, as enacted in this Act and amended in subsequent Acts, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, ~~2017~~ 2024. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, ~~2017~~ 2024.

DIVISION III

INCOME TAX — BIODIESEL BLENDED FUEL TAX CREDIT

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

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

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

~~(2)~~ *b.* (1) For biodiesel blended fuel classified as B-5 or higher but not as high as B-11, the designated rate is four 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~~

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

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

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

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

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

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

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

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

DIVISION IV

SALES AND USE TAX — BIODIESEL PRODUCTION REFUND

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

2016, is amended to read as follows:

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

DIVISION V

FUTURE REPEALS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXPLANATION

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

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

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

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

CURRENT INCOME TAX CREDITS. The income tax credits may be claimed by a retail dealer operating a retail motor fuel site and the amount of each tax credit is based on the total number of gallons of a renewable fuel sold. The E-15 plus gasoline promotion tax credit requires an ethanol content of between 15 and 69 percent per gallon and the designated rate equals 3 cents except between June 1 and September 15 when the designated rate increases to 10 cents. The E-85 gasoline promotion tax credit requires an ethanol content of between 70 and 85 percent per gallon and the designated rate equals 16 cents. The biodiesel blended fuel tax credit requires a biodiesel content of at least 5 percent per gallon (B-5) and the designated rate equals 4.5 cents.

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

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