

House Study Bill 562 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON HEIN)

A BILL FOR

1 An Act relating to the excise taxes on motor fuel and certain
2 special fuel, and including applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 452A.3, subsections 1, 2, 3, 4, 5, and 6,
2 Code 2020, are amended to read as follows:

3 1. Except as otherwise provided in [this section](#) and in this
4 subchapter, ~~until June 30, 2020,~~ [this subsection](#) shall apply
5 to the excise tax imposed on each gallon of motor fuel used for
6 any purpose for the privilege of operating motor vehicles in
7 this state.

8 a. An excise tax of thirty cents is imposed on each gallon
9 of motor fuel other than ethanol blended gasoline classified
10 as E-15 or higher.

11 ~~a.~~ b. The On and after July 1, 2026, an excise tax of
12 thirty cents is imposed on each gallon of ethanol blended
13 gasoline classified as E-15 or higher. Before July 1,
14 2026, the rate of the excise tax on ethanol blended gasoline
15 classified as E-15 or higher shall be based on the number
16 of gallons of ethanol blended gasoline classified as E-15 or
17 higher that is are distributed in this state as expressed as a
18 percentage of the number of gallons of motor fuel distributed
19 in this state, which is referred to as the distribution
20 percentage. For purposes of [this subsection paragraph](#), only
21 ethanol blended gasoline and nonblended gasoline, not including
22 aviation gasoline, shall be used in determining the percentage
23 basis for the excise tax. The department shall determine
24 the percentage basis for each determination period beginning
25 January 1 and ending December 31 based on data from the reports
26 filed pursuant to section 452A.33. The rate for the excise
27 tax shall apply for the period beginning July 1 and ending
28 June 30 following the end of the determination period. Before
29 July 1, 2026, the rate of the excise tax on each gallon of
30 ethanol blended gasoline classified as E-15 or higher shall be
31 as follows:

32 ~~b. The rate for the excise tax shall be as follows:~~

33 (1) If the distribution percentage is not greater than ~~fifty~~
34 ten percent, the rate shall be ~~twenty-nine~~ twenty-four cents
35 ~~for ethanol blended gasoline and thirty cents for motor fuel~~

1 ~~other than ethanol blended gasoline.~~

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

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

12 (4) If the distribution percentage is greater than ~~sixty~~
13 fourteen percent but not greater than ~~sixty-five~~ sixteen
14 percent, the rate shall be ~~twenty-nine~~ twenty-five and
15 five-tenths cents for ~~ethanol blended gasoline and thirty and~~
16 ~~five-tenths cents for motor fuel other than ethanol blended~~
17 ~~gasoline.~~

18 (5) If the distribution percentage is greater than
19 ~~sixty-five~~ sixteen percent but not greater than ~~seventy~~
20 eighteen percent, the rate shall be ~~twenty-nine~~ twenty-six
21 cents for ~~ethanol blended gasoline and thirty and seven-tenths~~
22 ~~cents for motor fuel other than ethanol blended gasoline.~~

23 (6) If the distribution percentage is greater than
24 ~~seventy~~ eighteen percent but not greater than ~~seventy-five~~
25 twenty percent, the rate shall be ~~twenty-nine~~ twenty-six and
26 five-tenths cents for ~~ethanol blended gasoline and thirty-one~~
27 ~~cents for motor fuel other than ethanol blended gasoline.~~

28 (7) If the distribution percentage is greater than
29 ~~seventy-five~~ twenty percent but not greater than ~~eighty~~
30 twenty-two percent, the rate shall be ~~twenty-nine~~ and
31 three-tenths twenty-seven cents for ~~ethanol blended gasoline~~
32 ~~and thirty and eight-tenths cents for motor fuel other than~~
33 ~~ethanol blended gasoline.~~

34 (8) If the distribution percentage is greater than ~~eighty~~
35 twenty-two percent but not greater than ~~eighty-five~~ twenty-six

1 percent, the rate shall be ~~twenty-nine~~ twenty-seven and
2 ~~five-tenths~~ cents for ~~ethanol blended gasoline~~ and ~~thirty and~~
3 ~~seven-tenths~~ cents for motor fuel other than ethanol blended
4 gasoline.

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

11 (10) If the distribution percentage is greater than ~~ninety~~
12 thirty-five percent but not greater than ~~ninety-five~~ forty-five
13 percent, the rate shall be ~~twenty-nine and nine-tenths~~
14 twenty-eight and five-tenths cents for ~~ethanol blended gasoline~~
15 and ~~thirty and one-tenth~~ cents for motor fuel other than
16 ethanol blended gasoline.

17 (11) If the distribution percentage is greater than
18 ~~ninety-five~~ forty-five percent but not greater than ~~sixty-five~~
19 percent, the rate shall be ~~thirty~~ twenty-nine cents for ethanol
20 blended gasoline and ~~thirty~~ cents for motor fuel other than
21 ethanol blended gasoline.

22 (12) If the distribution percentage is greater than
23 sixty-five percent but not greater than eighty-five percent,
24 the rate shall be twenty-nine and two-tenths cents.

25 (13) If the distribution percentage is greater than
26 eighty-five percent but not greater than ninety-five percent,
27 the rate shall be twenty-nine and five-tenths cents.

28 (14) If the distribution percentage is greater than
29 ninety-five percent, the rate shall be thirty cents.

30 c. The provisions of paragraph "b" and subsection 6
31 3, paragraph "a", subparagraph (2), shall be subject to
32 legislative review at least every ~~six~~ five years. The review
33 shall be based upon a fuel distribution percentage formula
34 status report containing the recommendations of a legislative
35 interim committee appointed to conduct a review of the fuel

1 distribution percentage formulas, to be prepared with the
2 assistance of the department of revenue in association
3 with the department of transportation. The report shall
4 include recommendations for changes or revisions to the
5 fuel distribution percentage formulas based upon advances
6 in technology, fuel use trends, and fuel price fluctuations
7 observed during the preceding ~~six-year~~ five-year interval; an
8 analysis of the operation of the fuel distribution percentage
9 formulas during the preceding ~~six-year~~ five-year interval; and
10 a summary of issues that have arisen since the previous review
11 and potential approaches for resolution of those issues. The
12 first such report shall be submitted to the general assembly no
13 later than January 1, 2020, with subsequent reports developed
14 and submitted by January 1 at least every ~~sixth~~ fifth year
15 thereafter.

16 ~~2. Except as otherwise provided in this section and in this~~
17 ~~subchapter, after June 30, 2020, an excise tax of thirty cents~~
18 ~~is imposed on each gallon of motor fuel used for any purpose~~
19 ~~for the privilege of operating motor vehicles in this state.~~

20 ~~3. An excise tax of seventeen cents is imposed on each~~
21 ~~gallon of E-85 gasoline, subject to the determination provided~~
22 ~~in subsection 4.~~

23 ~~4. The rate of the excise tax on E-85 gasoline imposed in~~
24 ~~subsection 3 shall be determined based on the number of gallons~~
25 ~~of E-85 gasoline that are distributed in this state during the~~
26 ~~previous calendar year. The department shall determine the~~
27 ~~actual tax paid for E-85 gasoline for each period beginning~~
28 ~~January 1 and ending December 31. The amount of the tax paid on~~
29 ~~E-85 gasoline during the past calendar year shall be compared~~
30 ~~to the amount of tax on E-85 gasoline that would have been paid~~
31 ~~using the tax rate for gasoline imposed in subsection 1 or~~
32 ~~2 and a difference shall be established. If this difference~~
33 ~~is equal to or greater than twenty-five thousand dollars, the~~
34 ~~tax rate for E-85 gasoline for the period beginning July 1~~
35 ~~following the end of the determination period shall be the rate~~

1 ~~in effect as stated in subsection 1 or 2.~~

2 5. 2. For the privilege of operating aircraft in this state
3 an excise tax of eight cents per gallon is imposed on the use of
4 all aviation gasoline.

5 6. 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.

8 (1) Except as otherwise provided in this section and in
9 this subchapter, ~~for the period ending June 30, 2015, and for~~
10 ~~the period beginning July 1, 2020, and thereafter,~~ the rate
11 of the excise tax rate on each gallon of special fuel for
12 diesel engines of motor vehicles used for any purpose for the
13 privilege of operating motor vehicles in this state, other
14 than biodiesel blended fuel classified as B-11 or higher, is
15 thirty-two and five-tenths cents per gallon.

16 (2) Except as otherwise provided in this section and in
17 this subchapter, ~~for the period beginning July 1, 2015, and~~
18 ~~ending June 30, 2020,~~ this subparagraph shall apply to the
19 excise tax imposed on each gallon of ~~special fuel for diesel~~
20 ~~engines of motor vehicles~~ biodiesel blended fuel classified
21 as B-11 or higher used for any purpose for the privilege of
22 operating motor vehicles in this state. The On and after
23 July 1, 2026, the rate of the excise tax on each gallon
24 of biodiesel blended fuel classified as B-11 or higher is
25 thirty-two and five-tenths cents. Before July 1, 2026, the
26 rate of the excise tax shall be based on the number of gallons
27 of biodiesel blended fuel classified as B-11 or higher that is
28 distributed in this state as expressed as a percentage of the
29 number of gallons of special fuel for diesel engines of motor
30 vehicles distributed in this state, which is referred to as
31 the distribution percentage. The department shall determine
32 the percentage basis for each determination period beginning
33 January 1 and ending December 31 based on data from the reports
34 filed pursuant to section 452A.33. The rate ~~for~~ of the excise
35 tax shall apply for the period beginning July 1 and ending June

1 30 following the end of the determination period. The Before
2 July 1, 2026, the rate for of the excise tax on each gallon of
3 biodiesel blended fuel classified as B-11 or higher shall be
4 as follows:

5 (a) If the distribution percentage is not greater than fifty
6 percent, the rate shall be twenty-nine and five-tenths cents
7 ~~for biodiesel blended fuel classified as B-11 or higher and~~
8 ~~thirty-two and five-tenths cents for special fuel for diesel~~
9 ~~engines of motor vehicles other than biodiesel blended fuel~~
10 ~~classified as B-11 or higher.~~

11 (b) If the distribution percentage is greater than fifty
12 percent but not greater than fifty-five percent, the rate
13 shall be twenty-nine and eight-tenths cents ~~for biodiesel~~
14 ~~blended fuel classified as B-11 or higher and thirty-two and~~
15 ~~five-tenths cents for special fuel for diesel engines of motor~~
16 ~~vehicles other than biodiesel blended fuel classified as B-11~~
17 ~~or higher.~~

18 (c) If the distribution percentage is greater than
19 fifty-five percent but not greater than sixty percent, the rate
20 shall be thirty and one-tenth cents ~~for biodiesel blended fuel~~
21 ~~classified as B-11 or higher and thirty-two and five-tenths~~
22 ~~cents for special fuel for diesel engines of motor vehicles~~
23 ~~other than biodiesel blended fuel classified as B-11 or higher.~~

24 (d) If the distribution percentage is greater than sixty
25 percent but not greater than sixty-five percent, the rate shall
26 be thirty and four-tenths cents ~~for biodiesel blended fuel~~
27 ~~classified as B-11 or higher and thirty-two and five-tenths~~
28 ~~cents for special fuel for diesel engines of motor vehicles~~
29 ~~other than biodiesel blended fuel classified as B-11 or higher.~~

30 (e) If the distribution percentage is greater than
31 sixty-five percent but not greater than seventy percent, the
32 rate shall be thirty and seven-tenths cents ~~for biodiesel~~
33 ~~blended fuel classified as B-11 or higher and thirty-two and~~
34 ~~five-tenths cents for special fuel for diesel engines of motor~~
35 ~~vehicles other than biodiesel blended fuel classified as B-11~~

1 ~~or higher.~~

2 (f) If the distribution percentage is greater than seventy
3 percent but not greater than seventy-five percent, the rate
4 shall be thirty-one cents ~~for biodiesel blended fuel classified~~
5 ~~as B-11 or higher and thirty-two and five-tenths cents for~~
6 ~~special fuel for diesel engines of motor vehicles other than~~
7 ~~biodiesel blended fuel classified as B-11 or higher.~~

8 (g) If the distribution percentage is greater than
9 seventy-five percent but not greater than eighty percent, the
10 rate shall be thirty-one and three-tenths cents ~~for biodiesel~~
11 ~~blended fuel classified as B-11 or higher and thirty-two and~~
12 ~~five-tenths cents for special fuel for diesel engines of motor~~
13 ~~vehicles other than biodiesel blended fuel classified as B-11~~
14 ~~or higher.~~

15 (h) If the distribution percentage is greater than eighty
16 percent but not greater than eighty-five percent, the rate
17 shall be thirty-one and six-tenths cents ~~for biodiesel~~
18 ~~blended fuel classified as B-11 or higher and thirty-two and~~
19 ~~five-tenths cents for special fuel for diesel engines of motor~~
20 ~~vehicles other than biodiesel blended fuel classified as B-11~~
21 ~~or higher.~~

22 (i) If the distribution percentage is greater than
23 eighty-five percent but not greater than ninety percent, the
24 rate shall be thirty-one and nine-tenths cents ~~for biodiesel~~
25 ~~blended fuel classified as B-11 or higher and thirty-two and~~
26 ~~five-tenths cents for special fuel for diesel engines of motor~~
27 ~~vehicles other than biodiesel blended fuel classified as B-11~~
28 ~~or higher.~~

29 (j) If the distribution percentage is greater than ninety
30 percent but not greater than ninety-five percent, the rate
31 shall be thirty-two and two-tenths cents ~~for biodiesel~~
32 ~~blended fuel classified as B-11 or higher and thirty-two and~~
33 ~~five-tenths cents for special fuel for diesel engines of motor~~
34 ~~vehicles other than biodiesel blended fuel classified as B-11~~
35 ~~or higher.~~

1 (k) If the distribution percentage is greater than
2 ninety-five percent, the rate shall be thirty-two and
3 five-tenths cents ~~for biodiesel blended fuel classified as B-11~~
4 ~~or higher and thirty-two and five-tenths cents for special~~
5 ~~fuel for diesel engines of motor vehicles other than biodiesel~~
6 ~~blended fuel classified as B-11 or higher.~~

7 (3) The rate of the excise tax on special fuel for aircraft
8 is five cents per gallon.

9 (4) On all other special fuel, unless otherwise specified in
10 this section, the per gallon rate of the excise tax is the same
11 as the motor fuel tax under subsection 1.

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

17 Sec. 2. Section 452A.31, subsection 2, paragraph a,
18 subparagraph (1), Code 2020, is amended by adding the following
19 new subparagraph division:

20 NEW SUBPARAGRAPH DIVISION. (c) The total E-15 gasoline
21 gallonage which is the total number of gallons of ethanol
22 blended gasoline classified as E-15 or higher, including E-85
23 gasoline.

24 Sec. 3. Section 452A.31, subsection 3, paragraph a, Code
25 2020, is amended by adding the following new subparagraph:

26 NEW SUBPARAGRAPH. (02) The total B-11 gallonage which
27 is the total number of gallons of biodiesel blended fuel
28 classified as B-11 or higher.

29 Sec. 4. Section 452A.31, subsection 4, paragraph a,
30 subparagraph (1), Code 2020, is amended by adding the following
31 new subparagraph division:

32 NEW SUBPARAGRAPH DIVISION. (c) The aggregate E-15 gasoline
33 gallonage which is the aggregate total number of gallons
34 of ethanol blended gasoline classified as E-15 or higher,
35 including E-85 gasoline.

1 Sec. 5. Section 452A.31, subsection 5, paragraph a, Code
2 2020, is amended by adding the following new subparagraph:
3 NEW SUBPARAGRAPH. (02) The aggregate B-11 gallonage which
4 is the aggregate total number of gallons of biodiesel blended
5 fuel classified as B-11 or higher.

6 Sec. 6. APPLICABILITY. The provision of the section of
7 this Act amending section 452A.3 to require the department
8 of revenue to determine the percentage basis for each
9 determination period beginning January 1 and ending December
10 31 based on data from the reports filed pursuant to section
11 452A.33 for purposes of the excise tax on biodiesel blended
12 fuel classified as B-11 or higher applies to the determination
13 period beginning January 1, 2021, and to each determination
14 period thereafter, for the rate of the excise tax on each
15 gallon of biodiesel blended fuel classified as B-11 or higher
16 beginning July 1, 2021.

17

EXPLANATION

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

20 This bill relates to the excise taxes on motor fuel and
21 certain special fuel.

22 Under current law, until June 30, 2020, the per-gallon
23 excise tax on ethanol blended gasoline is up to 2 cents less
24 than the per-gallon excise tax on other motor fuel, based on
25 the distribution percentage of the fuels. After June 30, 2020,
26 the per-gallon excise tax on ethanol blended gasoline and other
27 motor fuel is 30 cents. The bill instead imposes a per-gallon
28 excise tax of 30 cents on motor fuel other than ethanol blended
29 gasoline classified as E-15 or higher. Until July 1, 2026,
30 the bill imposes a per-gallon excise tax on ethanol blended
31 gasoline classified as E-15 or higher that is up to 6 cents
32 less than the per-gallon excise tax on other motor fuel, based
33 on the distribution percentage of the fuels. On and after July
34 1, 2026, the per-gallon excise tax on ethanol blended gasoline
35 classified as E-15 or higher is 30 cents. The bill requires

1 the distribution percentage to be based on data from reports
2 filed pursuant to Code section 452A.33.

3 Current law provides for legislative review of the fuel
4 distribution percentage formulas at least every six years,
5 with the first report due no later than January 1, 2020. The
6 bill instead provides for legislative review of the fuel
7 distribution percentage formulas at least every five years.

8 Under current law, the per-gallon excise tax on E-85
9 gasoline is up to 14 cents less than the per-gallon excise tax
10 on other motor fuel, depending on the amount of excise tax
11 paid on E-85 gasoline during the past calendar year and the
12 amount of the excise tax on other motor fuel. The bill strikes
13 the provisions relating to the per-gallon excise tax on E-85
14 gasoline.

15 Under current law, until June 30, 2020, the per-gallon
16 excise tax on biodiesel blended fuel classified as B-11 or
17 higher is up to 3 cents less than the per-gallon excise tax
18 on other special fuel for diesel engines of motor vehicles,
19 based on the distribution percentage of the fuels. After June
20 30, 2020, the per-gallon excise tax on biodiesel blended fuel
21 classified as B-11 or higher and other special fuel for diesel
22 engines of motor vehicles is 32.5 cents. The bill extends the
23 date on which the per-gallon excise tax on biodiesel blended
24 fuel classified as B-11 or higher becomes 32.5 cents to July 1,
25 2026. For the determination period beginning January 1, 2021,
26 and for each determination period thereafter, the bill requires
27 the distribution percentage to be based on data from reports
28 filed pursuant to Code section 452A.33.

29 The bill creates reporting classifications under Code
30 section 452A.31 for ethanol blended gasoline classified as
31 E-15 or higher and biodiesel blended fuel classified as B-11
32 or higher for purposes of gallonage reports submitted to the
33 department of revenue pursuant to Code section 452A.33.

34 By operation of law, to the extent the excise tax on E-85
35 gasoline and ethanol blended gasoline classified as lower than

H.F. _____

1 E-15 is increased more than 0.5 cents per gallon, the inventory
2 tax set forth in Code section 452A.85 applies.