

**Senate Study Bill 1246 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON FEENSTRA)

**A BILL FOR**

1 An Act relating to the excise taxes on motor fuel and certain  
2 special fuel.

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 2019, 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 rate of the excise tax on ethanol blended  
12 gasoline classified as E-15 or higher shall be based on the  
13 number of gallons of ethanol blended gasoline classified  
14 as E-15 or higher that ~~is~~ are distributed in this state as  
15 expressed as a percentage of the number of gallons of motor  
16 fuel distributed in this state, which is referred to as the  
17 distribution percentage. For purposes of this ~~subsection~~  
18 paragraph, only ethanol blended gasoline and nonblended  
19 gasoline, not including aviation gasoline, shall be used in  
20 determining the percentage basis for the excise tax. The  
21 department shall determine the percentage basis for each  
22 determination period beginning January 1 and ending December  
23 31. The rate for the excise tax shall apply for the period  
24 beginning July 1 and ending June 30 following the end of the  
25 determination period. The rate of the excise tax on each  
26 gallon of ethanol blended gasoline classified as E-15 or higher  
27 shall be as follows:

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

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

33 (2) If the distribution percentage is greater than ~~fifty~~  
34 ten percent but not greater than ~~fifty-five~~ twelve percent, the  
35 rate shall be ~~twenty-nine~~ twenty-four and five-tenths cents for

1 ~~ethanol blended gasoline and thirty and one-tenth cents for~~  
2 ~~motor fuel other than ethanol blended gasoline.~~

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

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

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

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

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

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

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

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

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

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

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

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

26 c. The provisions of paragraph "b" and subsection 6  
27 3, paragraph "a", subparagraph (2), shall be subject to  
28 legislative review at least every ~~six~~ five years. The review  
29 shall be based upon a fuel distribution percentage formula  
30 status report containing the recommendations of a legislative  
31 interim committee appointed to conduct a review of the fuel  
32 distribution percentage formulas, to be prepared with the  
33 assistance of the department of revenue in association  
34 with the department of transportation. The report shall  
35 include recommendations for changes or revisions to the

1 fuel distribution percentage formulas based upon advances  
2 in technology, fuel use trends, and fuel price fluctuations  
3 observed during the preceding ~~six-year~~ five-year interval; an  
4 analysis of the operation of the fuel distribution percentage  
5 formulas during the preceding ~~six-year~~ five-year interval; and  
6 a summary of issues that have arisen since the previous review  
7 and potential approaches for resolution of those issues. The  
8 first such report shall be submitted to the general assembly  
9 no later than January 1, ~~2020~~ 2025, with subsequent reports  
10 developed and submitted by January 1 at least every ~~sixth~~ fifth  
11 year thereafter.

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

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

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

33 ~~5. 2. For the privilege of operating aircraft in this~~  
34 ~~state, an excise tax of eight cents per gallon is imposed on~~  
35 ~~the use of all aviation gasoline.~~

1     ~~6.~~ 3. a. For the privilege of operating motor vehicles or  
2 aircraft in this state, there is imposed an excise tax on the  
3 use of special fuel in a motor vehicle or aircraft.

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

12     (2) Except as otherwise provided in this section and in this  
13 subchapter, ~~for the period beginning July 1, 2015, and ending~~  
14 ~~June 30, 2020,~~ this subparagraph shall apply to the excise tax  
15 imposed on each gallon of ~~special fuel for diesel engines of~~  
16 ~~motor vehicles~~ biodiesel blended fuel classified as B-11 or  
17 higher used for any purpose for the privilege of operating  
18 motor vehicles in this state. The rate of the excise tax  
19 shall be based on the number of gallons of biodiesel blended  
20 fuel classified as B-11 or higher that is distributed in this  
21 state as expressed as a percentage of the number of gallons of  
22 special fuel for diesel engines of motor vehicles distributed  
23 in this state, which is referred to as the distribution  
24 percentage. The department shall determine the percentage  
25 basis for each determination period beginning January 1 and  
26 ending December 31. The rate ~~for~~ of the excise tax shall apply  
27 for the period beginning July 1 and ending June 30 following  
28 the end of the determination period. The rate ~~for~~ of the  
29 excise tax on each gallon of biodiesel blended fuel classified  
30 as B-11 or higher shall be as follows:

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

1 ~~classified as B-11 or higher.~~

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

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

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

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

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

34 (g) If the distribution percentage is greater than  
35 seventy-five percent but not greater than eighty percent, the

1 rate shall be thirty-one and three-tenths cents for ~~biodiesel~~  
2 ~~blended fuel classified as B-11 or higher and thirty-two and~~  
3 ~~five-tenths cents for special fuel for diesel engines of motor~~  
4 ~~vehicles other than biodiesel blended fuel classified as B-11~~  
5 ~~or higher.~~

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

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

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

27 (k) If the distribution percentage is greater than  
28 ninety-five percent, the rate shall be thirty-two and  
29 five-tenths cents for ~~biodiesel blended fuel classified as B-11~~  
30 ~~or higher and thirty-two and five-tenths cents for special~~  
31 ~~fuel for diesel engines of motor vehicles other than biodiesel~~  
32 ~~blended fuel classified as B-11 or higher.~~

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

35 (4) On all other special fuel, unless otherwise specified in



1 this section, the per gallon rate of the excise tax is the same  
2 as the motor fuel tax under subsection 1.

3 *b.* Indelible dye meeting United States environmental  
4 protection agency and internal revenue service regulations must  
5 be added to fuel before or upon withdrawal at a terminal or  
6 refinery rack for that fuel to be exempt from tax and the dyed  
7 fuel may be used only for an exempt purpose.

8 Sec. 2. Section 452A.31, subsection 2, paragraph a,  
9 subparagraph (1), Code 2019, is amended by adding the following  
10 new subparagraph division:

11 NEW SUBPARAGRAPH DIVISION. (c) The total E-15 gasoline  
12 gallonage which is the total number of gallons of ethanol  
13 blended gasoline classified as E-15 or higher, including E-85  
14 gasoline.

15 Sec. 3. Section 452A.31, subsection 3, paragraph a, Code  
16 2019, is amended by adding the following new subparagraph:

17 NEW SUBPARAGRAPH. (1A) The total B-11 gallonage which  
18 is the total number of gallons of biodiesel blended fuel  
19 classified as B-11 or higher.

20 Sec. 4. Section 452A.31, subsection 4, paragraph a,  
21 subparagraph (1), Code 2019, is amended by adding the following  
22 new subparagraph division:

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

27 Sec. 5. Section 452A.31, subsection 5, paragraph a, Code  
28 2019, is amended by adding the following new subparagraph:

29 NEW SUBPARAGRAPH. (1A) The aggregate B-11 gallonage which  
30 is the aggregate total number of gallons of biodiesel blended  
31 fuel classified as B-11 or higher.

32 EXPLANATION

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

35 This bill relates to the excise taxes on motor fuel and

1 certain special fuel.

2 Under current law, until June 30, 2020, the per-gallon  
3 excise tax on ethanol blended gasoline is up to 2 cents less  
4 than the per-gallon excise tax on other motor fuel, based on  
5 the distribution percentage of the fuels. After June 30, 2020,  
6 the per-gallon excise tax on ethanol blended gasoline and other  
7 motor fuel is 30 cents. The bill instead imposes a per-gallon  
8 excise tax of 30 cents on motor fuel other than ethanol blended  
9 gasoline classified as E-15 or higher. The bill imposes a  
10 per-gallon excise tax on ethanol blended gasoline classified as  
11 E-15 or higher that is up to 6 cents less than the per-gallon  
12 excise tax on other motor fuel, based on the distribution  
13 percentage of the fuels. If the distribution percentage is  
14 greater than 95 percent, the per-gallon excise tax on motor  
15 fuel other than ethanol blended gasoline classified as E-15 or  
16 higher is equal to the per-gallon excise tax on ethanol blended  
17 gasoline classified as E-15 or higher.

18 Current law provides for legislative review of the fuel  
19 distribution percentage formulas at least every six years,  
20 with the first report due no later than January 1, 2020. The  
21 bill instead provides for legislative review of the fuel  
22 distribution percentage formulas at least every five years,  
23 with the first report due no later than January 1, 2025.

24 Under current law, the per-gallon excise tax on E-85  
25 gasoline is up to 14 cents less than the per-gallon excise tax  
26 on other motor fuel, depending on the amount of excise tax  
27 paid on E-85 gasoline during the past calendar year and the  
28 amount of the excise tax on other motor fuel. The bill strikes  
29 the provisions relating to the per-gallon excise tax on E-85  
30 gasoline.

31 Under current law, until June 30, 2020, the per-gallon  
32 excise tax on biodiesel blended fuel classified as B-11 or  
33 higher is up to 3 cents less than the per-gallon excise tax  
34 on other special fuel for diesel engines of motor vehicles,  
35 based on the distribution percentage of the fuels. After June

1 30, 2020, the per-gallon excise tax on biodiesel blended fuel  
2 classified as B-11 or higher and other special fuel for diesel  
3 engines of motor vehicles is 32.5 cents. The bill strikes the  
4 date on which the per-gallon excise tax on biodiesel blended  
5 fuel classified as B-11 or higher and other special fuel for  
6 diesel engines of motor vehicles will both become 32.5 cents.  
7 Therefore, under the bill, the per-gallon excise tax on special  
8 fuel for diesel engines of motor vehicles other than biodiesel  
9 blended fuel classified as B-11 or higher is 32.5 cents. The  
10 per-gallon excise tax on biodiesel blended fuel classified as  
11 B-11 or higher is up to 3 cents less than the per-gallon excise  
12 tax on other special fuel for diesel engines of motor vehicles,  
13 based on the distribution percentage of the fuels.

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

19 By operation of law, to the extent the excise tax on E-85  
20 gasoline and ethanol blended gasoline classified as lower than  
21 E-15 is increased more than 0.5 cents per gallon, the inventory  
22 tax set forth in Code section 452A.85 applies.