

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 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.