

MODIFICATION OF EXCISE TAXES ON MOTOR FUEL AND SPECIAL FUEL

Prior Law

The excise tax rates for motor fuel (gasoline and ethanol blended gasoline) are based on the ethanol distribution percentage. The ethanol distribution percentage is the number of gallons of ethanol blended gasoline distributed in Iowa expressed as a percentage of the number of gallons of all motor fuel distributed in Iowa. The tax rate for ethanol blended gasoline varied between \$0.19/gallon and \$0.20/gallon, and the tax rate for gasoline varied between \$0.20/gallon and \$0.21/gallon.

When the ethanol distribution percentage was first implemented in 2001, the rate differential was scheduled to expire June 30, 2007. Iowa extended the rate differential for five years in 2007. Iowa again extended the rate differential for one year in 2012, 2013, and 2014. These extensions prevented the rate differential from expiring. If the rate differential had expired, the tax rate for all motor fuel would have been \$0.20/gallon.

New Provisions

As of March 1, 2015, the excise tax rates for fuels are as follows:

Fuel Type	Prior to March 1, 2015	Beginning March 1, 2015
Gasoline	\$0.21/gallon	\$0.31/gallon
Ethanol Blended Gasoline (Including E85) and Alcohol	\$0.19/gallon	\$0.29/gallon
Diesel (Including Biodiesel)	\$0.225/gallon	\$0.325/gallon
Aviation Gasoline	\$0.08/gallon	\$0.08/gallon
Aviation Jet	\$0.03/gallon	\$0.05/gallon
Liquefied Petroleum Gas	\$0.20/gallon	\$0.30/gallon
Liquefied Natural Gas	\$0.225/gallon	\$0.325/gallon
Compressed Natural Gas	\$0.21/gallon	\$0.31/gallon

The tax rates for motor fuel are still based on the ethanol distribution percentage. The tax rate for ethanol blended gasoline varies between \$0.29/gallon and \$0.30/gallon, and the tax rate for gasoline varies between \$0.30/gallon and \$0.31/gallon.

On and after July 1, 2015, the excise tax rates for diesel fuel are based on the new biodiesel distribution percentage. The biodiesel distribution percentage is the number of gallons of biodiesel rated B11 or higher expressed as a percentage of the number of gallons of all biodiesel and diesel distributed in Iowa. The tax rate for biodiesel rated B11 or higher varies between \$0.295/gallon and \$0.325/gallon, and the tax rate for all other biodiesel and diesel is

\$0.325/gallon. Beginning July 1, 2015, the tax rate for biodiesel rated B11 or higher is \$0.295/gallon, and the tax rate for all other biodiesel and diesel is \$0.325/gallon.

The motor fuel and diesel rate differentials will expire on June 30, 2020. Upon expiration, the tax rate for all motor fuel will be \$0.30/gallon, and the tax rate for all biodiesel and diesel fuel will be \$0.325/gallon. A legislative interim committee will review the excise tax rates on motor fuel and diesel at least every six years, with the committee's first report due January 1, 2020.

There is no inventory tax associated with the excise tax rate increases contained in 2015 Iowa Acts Senate File 257.

Section Amended _____

Sections 5 through 10 of 2015 Iowa Acts Senate File 257 amend Section 452A.3, Code 2015.

Effective Date _____

March 1, 2015