

Provisions of the Iowa Renewable Fuels Standard

With passage of the 25% Iowa Renewable Fuels Standard (RFS), Iowa has the most aggressive renewable fuels program in the country. The Iowa Renewable Fuels Association helped lead the effort to enact this landmark legislation. Under the bill, HF 2754, Iowa retailers will be incentivized to replace 25% of gasoline sales with ethanol and biodiesel by 2019. Biodiesel and E85 availability will greatly increase, giving motorists cleaner, renewable choices at the pump.

Provisions of the Iowa Renewable Fuels Standard are briefly outlined below:

Renewable Fuels: E10, E85 and Biodiesel

In order to maximize incentives, retailers will be required to sell a certain percentage of their total gasoline sales as renewable fuels. Both biodiesel and ethanol count toward meeting the RFS schedule:

2009: 10%	2010: 11%
2011: 12%	2012: 13%
2013: 14%	2014: 15%
2015: 17%	2016: 19%
2017: 21%	2018: 23%
2019: 25%	

The schedule is delayed two years for retailers with sales below 200,000 gallons annually.

Ethanol

The current 2.5 cents income tax credit that retailers can claim on gallons of ethanol blends sold in excess of 60% of their total volume remains in effect until December 31, 2008.

To assist retailers in achieving the RFS schedule, beginning in 2009 an Ethanol Promotion Tax Credit replaces the current incentive. The new incentive is available for each gallon of ethanol sold and is determined by the retailer's achievement of the RFS schedule.

- Any retailer meeting the renewable fuels schedule for a given year would be entitled to a 6.5 cents tax credit on every gallon of ethanol sold.
- For retailers within 2 percent of meeting the RFS schedule, tax credit equals 4.5 cents on every gallon of ethanol sold.
- For retailers within 4 percent of the RFS schedule, the tax credit equals 2.5 cents.
- Retailers are not eligible for the Ethanol Promotion Tax Credit if they are more than 4 percentage points below the RFS schedule.

E85

A new E85 Promotion Tax Credit is created for every gallon of E85 fuel retailers sell. For 2006, 2007, and 2008, the E85 Promotion Credit is 25 cents per gallon. In 2009 and 2010, the E85 Promotion Tax Credit is 20 cents per gallon. Beginning in calendar year 2011, the tax credit is 10 cents per gallon and diminishes one penny each year through calendar year 2020.

Biodiesel

Retailers whose diesel sales are at least 50% biodiesel (B2 and higher blends) are eligible for a 3 cent per gallon tax credit on each gallon of B2 or higher blend sold. The tax credit for biodiesel is effective through December 31, 2011.

Infrastructure Program

An infrastructure program is created to provide financial assistance to E85 retailers and biodiesel wholesale distributors. More than \$13 million over three years was appropriated for the grant program.

Cost-share grants for retailers to upgrade or install new E85 equipment will be available. A retailer could receive 50% of the total cost of the project up to a maximum of \$30,000.

Biodiesel blenders may apply for a cost-share grant for terminal distribution facilities. Grants could cover 50% of the total project up to a maximum of \$50,000.

A Renewable Fuels Infrastructure Board will be established under the guidance of the Iowa Department of Economic Development. This 11-member board will have authority to determine the eligibility of applicants.

Safety Valves

The Governor may reduce or suspend the RFS schedule if:

- * Substantial economic harm would result from established schedule
- * A shortage of feedstock supply occurs for renewable fuel production
- * Flexible Fuel Vehicle (FFV) fleet registration doesn't reach target levels

Fuel Quality Testing

The Department of Agriculture will receive increased funding to test fuel and fuel components from the time of production through sale to consumers. This program will ensure Iowa motorists are buying quality fuels and are paying for the fuel that's advertised on the pump.

For the entire Renewable Fuels Standard bill, HF2754, go to www.legis.state.ia.us.