

April 8, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 918 (Weber) As Proposed to be Amended (SCS0918A-2)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund Total	(\$2,400)	(\$2,900)	(\$3,500)	(\$4,200)

Effective for tax years 2021 through 2030.

EXPLANATION OF THE BILL

Current Law: Highway fuels are taxed at the distributor level. The tax rate for gasoline is 28.5 cents per gallon, and the tax rate for E85 ethanol blends is 20.25 cents per gallon. E85 is defined as any blend of gasoline that contains between 50% and 85% ethanol by volume.

Proposed Law: The bill creates a nonrefundable credit for gasoline retailers who are subject to the individual income tax and engage in selling higher ethanol blends that contain at least 15% ethanol but no more than 85% ethanol in the state. C corporations do not qualify for the credit.

The credit is equal to five cents per gallon of higher ethanol blend that is sold at a retail service station. "Higher ethanol blend" means gasoline blended with ethanol that contains at least 15% ethanol but no more than 85% ethanol.

For S corporations, limited liability companies, or partnerships, the credit is passed through to shareholders or partners.

The credit expires after tax year 2030.

REVENUE ANALYSIS DETAIL

- Minnesota Department of Commerce reports about 10.7 million gallons of E85 gasoline (gasoline blended with more than 50% ethanol but no more than 85% ethanol) and 75.1 million gallons of gasoline that is blended with at least 15% of ethanol but less than 50% ethanol (E15 to E50) were sold in Minnesota for tax year 2020.
- Over the past five years, the market share of E15 gasoline has increased very rapidly while that of E85 has been declining.
- The estimate assumes a 20.5% average growth rate for all qualified ethanol blends.

REVENUE ANALYSIS DETAIL (Cont.)

- The estimate was reduced by 45% to exclude C corporations, based on sales and use tax data for gas stations in Minnesota.
- The income tax liability data was not immediately available. The estimate was decreased by 15% to account for businesses whose tax liability is less than the credit.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 810 taxpayers would be eligible for the credit.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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