



RENEWABLE CHEMICAL PRODUCTION TAX CREDIT PROGRAM

2019 ANNUAL REPORT

IOWA[®]
economic development

The Renewable Chemicals Production Tax Credit Program, Iowa Code sections 15.316 through 15.322, was established in 2016. Iowa Economic Development Authority's (IEDA) rules for administering the program can be found at 261 IAC Chapter 81.

The first-in-the-nation program incentivizes production of more than 30 “building block chemicals” - high-value chemicals derived from biomass feedstocks – listed at Iowa Code section 15.316. According to the U.S. Department of Agriculture, the credit represents the “strongest” incentive package for the bio-based chemical industry. The program addresses the unique opportunity to advance Iowa’s economy by focusing on the development of biomass as feedstock to produce renewable chemicals.

The program provides a tax credit equal to \$0.05 per pound produced, up to \$1 million for startups and \$500,000 for established businesses.

The process to add molecules to the list of “building block chemicals” is set in 261 IAC 81.8. Between April 1 and May 1 of each calendar year and October 1 and November 1 of each calendar, an individual or business may submit a request to the IEDA to add a molecule to the definition of “building block chemical” outlined in Code. IEDA conducts an initial review of each request and, if it determines the molecule is probably eligible, it refers the request to experts at the Iowa State University Center for Biorenewable Chemicals. They make a recommendation indicating whether the chemical meets the definition of “building block chemical”. If the recommendation is positive, IEDA may initiate the rule-making process to amend the definition of “building block chemical” to add the molecule to the list of “building block chemicals” set out at Iowa Code section 15.316.

Benzene, toluene, xylene and ethylbenzene were added in March 2019. IEDA has received requests to approve the addition of five more chemicals in 2020. The addition of new chemicals is expected to increase the number of businesses that produce renewable chemicals in Iowa and the amount of building block chemicals produced in Iowa.

An eligible business that produces a building block chemical may apply for the renewable chemical production tax credit. IEDA accepts applications each year from February 15 to March 15 for chemicals produced in the prior calendar year. Before IEDA issues a tax credit, the business must enter into an agreement with the authority for the successful completion of all requirements of the program.

The first tax credits were issued in 2019. IEDA issued two tax credits to Glycerin Group LLC dba Kem X Global for its 2017 and 2018 production. The business qualified as an eligible business by expanding in the state after April 6, 2016, as required by Iowa Code section 15.317(4). It is eligible for a total of \$1,542,114 in tax credits, which can only be claimed for the tax year during which the business was issued the credit. However, any tax credit in excess of the tax liability is refundable, or the taxpayer may have the overpayment shown on the taxpayer’s tax return and credited to the tax liability for the following year.

IEDA cannot report on the remainder of the information described in section 15.320(2) for tax credits issued in 2019. Because there was a single successful tax credit applicant, such information cannot be reported in “aggregate form” and would be attributable to the one eligible business receiving tax credits in 2019. Pursuant to section 15.318(5)(a), any information or record in the possession of the Authority with respect to the program, except the identity of a tax credit recipient and the amount of the tax credit, shall be presumed by the Authority to be a trade secret protected under chapter 550 or common law and shall be kept confidential by the Authority unless otherwise ordered by a court.