

The background image shows a complex industrial facility with a dense network of pipes, metal structures, and scaffolding. In the lower portion, two workers wearing white hard hats and high-visibility vests are working on a large horizontal pipe. One worker is leaning over the pipe, while the other stands nearby. The scene is brightly lit, suggesting an indoor or well-lit outdoor environment.

RENEWABLE CHEMICAL PRODUCTION TAX CREDIT PROGRAM

2020 ANNUAL REPORT

IOWA[®]
economic development

The Renewable Chemicals Production Tax Credit Program was established in 2016 (See Iowa Code sections 15.316 through 15.322). IEDA's 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 261 IAC 81.2. According to the U.S. Department of Agriculture, the credit represented the “strongest” incentive package for the bio-based chemical industry (See “An Economic Impact Analysis of the U.S. Biobased Products Industry,” October 2016, which can be downloaded at <https://www.biopreferred.gov/BioPreferred/faces/pages/DocumentBrowser.xhtml>). The program addresses the unique opportunity to advance Iowa's economy by focusing on the development of biomass as feedstock for production of 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 out at 261 IAC 81.8. An individual or business may submit a request to the Iowa Economic Development Authority (IEDA) to add a molecule to the definition of “building block chemical.” IEDA conducts an initial review of each request and, if it determines the molecule is likely 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.”

IEDA approved the addition of the following chemicals in 2020: butanoic acid, hexanoic acid, octanoic acid, pentanoic acid, heptanoic acid, ethylene glycol and 1,4 butanediol. 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.

IEDA issued two tax credits in Fiscal Year 2020 for chemicals produced in 2019:

- **SBK2, LLC.** 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) and is eligible for a maximum tax credit of \$500,000.
- **AgCertain Boone, LLC.** The business qualified as an eligible business by locating in the state after April 6, 2016, and is eligible for a maximum tax credit of \$750,759.

Tax credits 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 information described in section 15.320(2) for tax credits issued in 2020. Such information cannot be reported in “aggregate form” and would be attributable to a single facility because AgCertain Boone assumed control of the facility previously owned by SBK2, LLC in June 2019. Pursuant to section 15.318(5)(a), any information or record in the possession of the IEDA 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 IEDA to be a trade secret protected under Iowa Code chapter 550 or common law and shall be kept confidential by the IEDA unless otherwise ordered by a court.