

A photograph of an industrial facility, likely a chemical plant, with large pipes, tanks, and workers in safety gear. The image is overlaid with a large, semi-transparent blue circle that contains the text.

RENEWABLE CHEMICAL PRODUCTION TAX CREDIT PROGRAM

2021 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). Iowa Economic Development Authority's ("IEDA" or "the Authority") 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, Chapter 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, <https://www.biopreferred.gov/BioPreferred/faces/pages/DocumentBrowser.xhtml>.)

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; it addresses the unique opportunity to advance Iowa's economy by focusing on the development of biomass as feedstock for production of renewable chemicals.

The process to add molecules to the list of "building block chemicals" is set out at 261 IAC, Chapter 81.8. An individual or business may submit a request to 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 (CBIRC). CBIRC makes 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." In Fiscal Year 2021, IEDA did not approve any additional chemicals.

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 one tax credit in Fiscal Year 2021 for chemicals produced in 2020:

- 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 \$1 million.

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 the information described in Section 15.320(2) for tax credits issued in 2021. Such information cannot be reported in "aggregate form" and would be attributable to a single facility. 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 Iowa Code, Chapter 550 or common law and shall be kept confidential by the Authority unless otherwise ordered by a court.