



# RENEWABLE CHEMICAL PRODUCTION TAX CREDIT PROGRAM

2023 ANNUAL REPORT

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economic development

The Renewable Chemical Production Tax Credit Program (the “Program”) was established in 2016 and is codified in Iowa Code sections 15.316 through 15.322. The Iowa Economic Development Authority (IEDA) administers the Program. 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](#)). It addresses the unique opportunity to advance Iowa’s economy by focusing on the development of biomass as feedstock for production of renewable chemicals.

To be eligible to receive the tax credit, a business must meet all the following requirements:

1. The business must be physically located in the State of Iowa;
2. The business must be operated for profit and under single management.
3. The business organized, expanded or located in the State of Iowa on or after April 6, 2016.
4. The business is in compliance with all agreements entered into under the Program or any other programs administered by IEDA.

Businesses that provide professional services, health care services, or medical treatments and entities engaged primarily in retail operations are not eligible for Program tax credits, nor are businesses that are relocating or reducing operations as described in Iowa Code section 15.329.

The Program provides a tax credit equal to \$0.05 per pound of building block chemical produced, up to \$1 million for businesses that had been in operation in the state for five years or less and \$500,000 for established businesses. 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 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 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). They make a recommendation as to 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”. No molecules were added to the list in Fiscal Year 2023.

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.

Several changes were made to the Program in 2023 Iowa Acts, Senate File 575. Changes include :

- Effective July 1, 2023, the maximum tax credit amount is \$1 million for all businesses, regardless of how long the business has been in operation in the state.
- The requirement that the IEDA maintain a wait list if demand for credits exceeds the annual allocation was eliminated.
- The IEDA was directed to adopt rules for reviewing and scoring applications on a competitive basis. Previously, tax credits were awarded on a first come, first served basis until the maximum aggregate amount of tax credits was reached for a fiscal year and eligible businesses that applied but were not awarded credits were placed on a wait list.
- The definition of “building block chemical” was amended to exclude serine, threonine, and lysine. Production of those chemicals will no longer be eligible for a tax credit.
- IEDA may continue to award tax credits through Fiscal Year 2036 for chemicals produced prior to January 1, 2036. Previously, the credit was allowed only for chemicals produced prior to January 1, 2026.

IEDA issued one tax credit in Fiscal Year 2023 for chemicals produced in 2022:

- **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.

IEDA cannot report on the remainder of the information described in section 15.320(2) for tax credits issued in fiscal year 2023. Because only one tax credit was issued, such information cannot be reported in “aggregate form” and would be attributable to one facility. 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 unless ordered by a court to disclose the information.