



[HF 2785](#) – Biodiesel Blended Fuel Tax Credit Extension (LSB6080HV)
Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2785](#) extends the repeal of the Biodiesel Blended Fuel Tax Credit for retail dealers from January 1, 2028, to January 1, 2033, and allows retail dealers whose tax year does not align with the repeal date to access the tax credit.

Background

The [Biodiesel Blended Fuel Tax Credit](#) was created in 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act), and is available to retail dealers selling biodiesel blended motor fuel in Iowa. To qualify for the credit, the blend that is sold must be at least 5.0% biodiesel. The tax credit is currently equal to \$0.050 per blended gallon for blends of at least 11.0% biodiesel but less than 20.0%, \$0.070 for blends of at least 20.0% but less than 30.0%, and \$0.100 for blends of at least 30.0%. According to the March 2026 [Contingent Liabilities Report](#) from the Iowa Department of Revenue (IDR), approximately \$27.1 million was claimed from the tax credit against individual and corporate income taxes in FY 2025.

Assumptions

- According to the IDR, the estimated Biodiesel Blended Fuel Tax Credit claims by tax year are as follows:
 - TY 2023 = \$21.6 million
 - TY 2024 = \$26.0 million
 - TY 2025 = \$26.4 million
 - TY 2026 = \$27.3 million
 - TY 2027 = \$27.7 million
- Tax credit claims will increase at a rate of 2.1% each tax year from TY 2028 through TY 2033.
- Tax credit claims from the Bill will begin to be claimed against corporate and individual income taxes beginning in TY 2028, with initial fiscal impacts in FY 2029.
- There is no annual tax credit cap due to the Bill.
- Tax credit rates under the Bill are equal to the tax credit rates under current law.
- According to the IDR, it is assumed that 100.0% of refundable tax credits from the Bill will be claimed, with the timing of claims indicated below:
 - Year 0 = 0.0%
 - Year 1 = 17.0%
 - Year 2 = 75.3%
 - Year 3 = 6.0%
 - Year 4 = 1.7%
- The refundable tax credit will have no impact on the [income surtax for schools](#).

Fiscal Impact

[House File 2785](#) is estimated to decrease General Fund revenues by the following amounts:

- FY 2029 = \$4.8 million
- FY 2030 = \$26.2 million
- FY 2031 = \$28.5 million
- FY 2032 = \$29.5 million
- FY 2033 = \$30.2 million

Sources

Iowa Department of Revenue
Legislative Services Agency analysis

/s/ Jennifer Acton

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The Fiscal Note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this Fiscal Note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
