
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Renewable Chemical Production Tax Credit

The Renewable Chemical Production Tax Credit is available to approved businesses that produce renewable chemicals from biomass feedstock in Iowa. The tax credit is equal to \$0.05 per pound of renewable chemicals produced. To qualify for the credit, a business must apply to and enter into an agreement with the Iowa Economic Development Authority (IEDA) prior to the production of any pound of chemical that will earn the tax credit.

A business may earn tax credits for no more than five years. A business that is producing an eligible chemical prior to application to the IEDA may only receive credits for an increase in production above the production level prior to the application.

The annual total for all eligible chemicals earning tax credits in a fiscal year is limited to no more than \$10.0 million. An approved business that has been in operation in Iowa for five years or less may earn tax credits of up to \$1.0 million through the program. An approved business in operation for more than five years may earn up to \$500,000 through the program. The tax credit is available for qualified renewable chemicals produced from January 1, 2017, through December 31, 2026.

A renewable chemical that may qualify for the tax credit is defined as a chemical with a biobased content of at least 50.0%. A qualified chemical cannot be sold or used for the production of feed, food, or fuel.

The IEDA Board, in cooperation with the Department of Revenue, is required to submit an annual report to the General Assembly and Governor describing the activities of the program. The annual report is due each January 31 and is to cover the tax credit program activities of the previous calendar year. The IEDA filed an initial [report](#) with the General Assembly on January 20, 2020.

Tax Credit Background

- Enabling Legislation: 2016 Iowa Acts, chapter [1065](#) (High Quality Jobs Program and Renewable Chemical Production Credit Act)
- Iowa Code Citations:
 - [Sections 15.315 through 15.321](#) — Program Description
 - [Section 422.10B](#) — Individual Income Tax
 - [Section 422.33\(22\)](#) — Corporate Income Tax
- Administrative State Agencies: IEDA and the Iowa Department of Revenue
- Sunset Date: Production eligibility ends December 31, 2026.
- Transferable: No
- Refundable: Yes
- Carryforward: Unused credits may be carried forward to the next tax year.
- Tax Review Committee Review Year: 2022

More Information

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Renewable Chemical Production Tax Credit Program 2019 Annual Report:

www.legis.iowa.gov/docs/publications/DF/1127144.pdf

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Legislative History

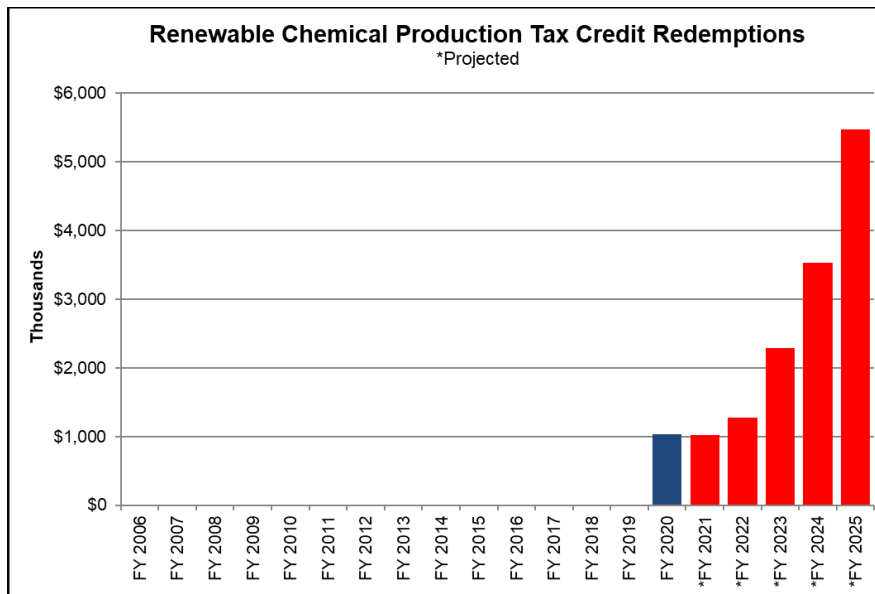
The Renewable Chemical Production Tax Credit was enacted in 2016 and became available January 1, 2017. The tax credit has not been modified since its enactment.

Tax Credit Review, Usage, and Future Liability

The first annual report required under Iowa Code section [15.320](#) was to be delivered by the IEDA to the General Assembly and Governor by January 31, 2019. The annual report requirements include the publication of aggregate employment, chemical production, and tax credit award information for businesses approved under this tax credit program. The first [report](#) was filed January 20, 2020. That report indicates that \$1.5 million in tax credits were issued in 2019 to a single eligible business for 2017 and 2018 chemical production.¹ Citing confidentiality requirements, the report states that the IEDA cannot provide the other statistics required by Iowa Code section [15.320](#).

The Department of Revenue reports on the annual credit usage for the Renewable Chemical Production Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption projections for the Renewable Chemical Production Tax Credit on a fiscal year basis. The blue bar on the graph indicates actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Tax Credit		Tax Credit	
Fiscal Year	Redemptions	Fiscal Year	Redemptions
FY 2006	\$ 0	FY 2016	\$ 0
FY 2007	0	FY 2017	0
FY 2008	0	FY 2018	0
FY 2009	0	FY 2019	865
FY 2010	0	FY 2020	1,028,076
FY 2011	0	*FY 2021	1,024,569
FY 2012	0	*FY 2022	1,279,605
FY 2013	0	*FY 2023	2,282,497
FY 2014	0	*FY 2024	3,532,609
FY 2015	0	*FY 2025	5,467,400



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¹ The report states that a single business (Glycerin Group LLC) was awarded \$1.5 million in tax credits. The Renewable Chemical Production Tax Credit has a lifetime limit of no more than \$1.0 million per eligible business.