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## FISCAL TOPICS

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Tax Credit: Biodiesel Production Credit

The Biodiesel Production Credit is available to qualified producers of biodiesel. The credit is equal to \$0.020 per gallon of pure biodiesel produced in the State. A single producer is limited to no more than \$500,000 in production credits each year. The tax credit is paid to the producer by the Department of Revenue through a sales tax refund process. The production credit expires at the end of calendar year (CY) 2024.

### Tax Credit Background

- Enabling Legislation: 2011 Iowa Acts, chapter [113](#) (Motor Fuels Regulation, Dispensing, and Tax Credit Act)
- Iowa Code Citations:
  - Section [423.4\(9\)](#) — Sales and Use Tax Refund and Program Description
  - Section [422.7\(54\)](#) — Individual Income Tax
  - Section [422.35\(25\)](#) — Corporate Income Tax
- Administrative State Agency: Iowa Department of Revenue
  - Sunset Date: January 1, 2025
  - Transferable: No
  - Refundable: Yes
  - Carryforward: None
  - Tax Review Committee Review Year: None

### Legislative History

As originally enacted in 2011, the Biodiesel Production Credit was available for gallons produced during three years, January 1, 2012, through December 31, 2014. The credit equaled \$0.030 for CY 2012, \$0.025 for CY 2013, and \$0.020 for CY 2014. In 2014 legislation, the credit was extended to the end of CY 2018 at a rate of \$0.020 per gallon. In 2016, the \$0.020 per gallon credit was extended to its current sunset date at the end of CY 2024.

The production credit is defined in Iowa Code section [423.4\(9\)](#) as a sales/use tax refund. However, the biodiesel producer is not required to have had any sales/use tax liability for the year in order to qualify for and redeem the sales/use tax refund. The credit may also be redeemed through the individual and/or corporate income tax filing process. Claiming the credit requires quarterly filing of form [IA 843](#) with the Department of Revenue.

### Tax Credit Review, Usage, and Future Liability

According to the Iowa Renewable Fuels Association, there are 11 biodiesel plants in Iowa, with a combined annual production capacity of 395.0 million gallons. Actual production in 2019 equaled 345.0 million gallons. For 2019, the credit was allowed on 209.9 million gallons of biodiesel production.

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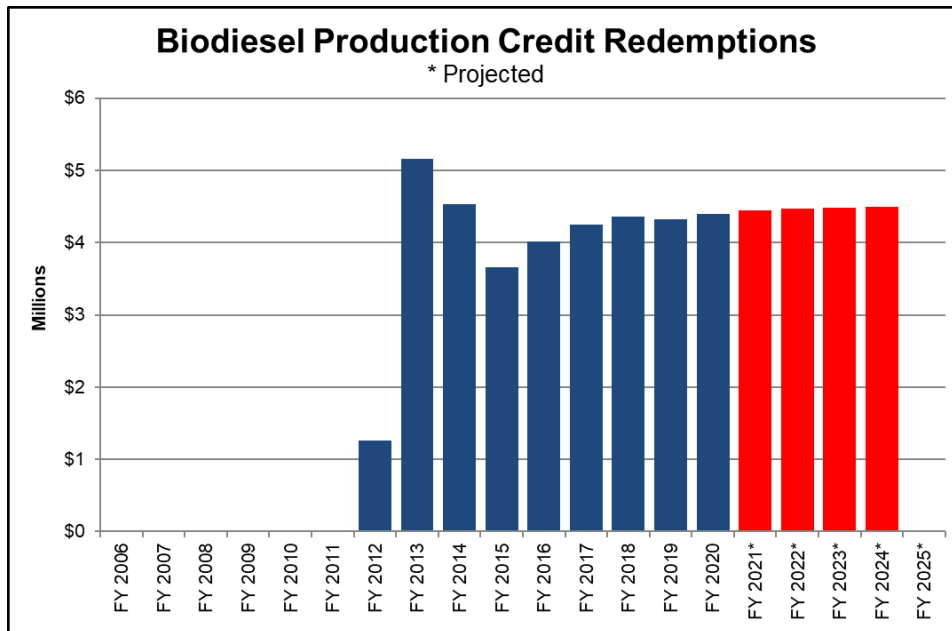
### More Information

Department of Revenue Biodiesel Credit Rule: [legis.iowa.gov/docs/iac/rule/701.250.1.pdf](https://legis.iowa.gov/docs/iac/rule/701.250.1.pdf)  
Iowa Renewable Fuels Association: [iowarfa.org/biodiesel-center/iowa-biodiesel-biorefineries](http://iowarfa.org/biodiesel-center/iowa-biodiesel-biorefineries)  
Legislative Services Agency Sales and Use Tax Guide: [legis.iowa.gov/docs/publications/LG/15813.pdf](https://legis.iowa.gov/docs/publications/LG/15813.pdf)  
LSA Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)

Over the first eight calendar years of availability, Biodiesel Production Credit awards averaged 198.0 million gallons of annual biodiesel production.

No periodic or formal review of the Biodiesel Production Credit is conducted. The credit is not part of the review schedule of the Tax Expenditure Study Committee, and it is not included in the Department of Revenue [Contingent Liabilities Report](#). The following table and chart are based on periodic updates made available by the Department of Revenue to the Revenue Estimating Conference.

<b>Biodiesel Production Credit History</b>			
* Projected			
Year	Tax Credit Redemptions	Year	Tax Credit Redemptions
FY 2006	\$ 0	FY 2016	\$ 4,010,000
FY 2007	0	FY 2017	4,250,000
FY 2008	0	FY 2018	4,360,000
FY 2009	0	FY 2019	4,320,000
FY 2010	0	FY 2020	4,400,000
FY 2011	0	FY 2021*	4,450,000
FY 2012	1,260,000	FY 2022*	4,470,000
FY 2013	5,160,000	FY 2023*	4,480,000
FY 2014	4,530,000	FY 2024*	4,500,000
FY 2015	3,660,000	FY 2025*	0



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